

HOUSING & HOSTELS - GENERAL

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Act undermines talks on local govt reforms

123 CT 3/7/91



HEALTH HAZARD . . . The black local authority system is a financial disaster with inadequate services and a shortage of housing. Future non-racial, democratic local authorities will need money to resolve the urgent need to upgrade the townships and squatter areas.

By **AMANDA YOUNGE**

MANY large municipalities such as Johannesburg and Port Elizabeth have begun experimenting with negotiations with black communities over the issue of reforming local government.

Underlying these negotiations is the need to overcome the problems created by apartheid local government — problems of financial crisis, town councils with limited legitimacy, massive housing shortages, inadequate services and the resistance which these have spawned.

Now, however, with the passing of the Interim Measures for Local Government Act in Parliament, a spanner has been thrown in the works. The Port Elizabeth talks have been terminated: others are likely to follow.

What lies behind this? To understand this, we need to look at the background to these "one city" talks.

In recent years we have seen an

almost total breakdown of black local authorities. In addition to massive financial deficits, by January this year, 106 of the country's 272 black local authorities had collapsed through resignations and were being run by administrators.

Financial disaster

Civics have generally refused to assume the responsibilities of black town councils, where these have resigned. They argue that this would only serve to endorse the existing racial character of local government. They have also been concerned about accepting responsibility for the financial disaster that is the black local authority system.

At the same time, white municipalities have increasingly felt the need to consult communities about issues that affect them. These talks have naturally included the question of how to reform local government itself.

But the ANC and civics have voiced major reservations about negotiating local constitutional change before a national settlement.

There is a fear that a piecemeal approach will result in apartheid structures surviving in many plateland areas and Conservative Party-controlled municipalities, while the big cities go non-racial. It may also undermine the process of national constitutional negotiations.

Local transformation

It is clear that local government has to be addressed. But how should the local reform process be conducted?

The answer lies in setting up a process which will be acceptable to all parties. At the national level, this means debating and coming to agreement on what principles should guide local transformation.

This would have three aspects:

- Agreement on guidelines for the character of new local authorities.
- Agreement on how local reform should take place.
- New legislation to enable reform to take place.

The Government's Thornhill Committee produced a set of guidelines in its most recent report. Guidelines have been drafted by the ANC, the National Interim Civic Committee discussed proposed guidelines at its consultative conference in May, and Cosatu has charged the SA Municipal Workers Union to draw up proposals.

Guiding principles outlined by the democratic movement include:

- Representation on the basis of one person, one vote — with votes of equal value.
- A single municipality for small towns and a unitary, non-racial metropolitan structure for large cities.
- Affirmative action to ensure the rapid extension of services and facilities to black and so-called coloured areas.
- The re-incorporation of the

bantustans, without which reunification of cities such as Durban and East London would be impossible.

Common to the different sets of guidelines is a concern to establish non-racial, democratic local authorities, which have adequate sources of finance to resolve the urgent need to upgrade townships and squatter areas.

The Interim Measures for Local Government Act is an example of how not to go about local level restructuring.

Its fundamental fault is that it is an imposed piece of legislation. No acceptable consultation took place over the proposals, unlike the process of educational reform, and it seems clear that Deputy Minister Delpoit has little idea about what this would involve.

Despite massive criticisms of the Bill voiced by the major non-parliamentary groupings last week, it was rushed through Parliament with what the ANC termed "unseemly haste".

The Act contains no guidelines whatsoever on which the creation of new, non-racial, local government structures should be based. Racial laws are not scrapped in terms of the Act but the Administrator can repeal them in any town or city if the new, locally negotiated structure requires this.

Not only does the Act give a new lease on life to discredited racial structures, it goes so far as to give them the right of veto over an agreement.

The Act does not make any attempt to ensure that the way in which new structures are negotiated is in itself legitimate.

Single tax base

It gives the Administrator, who is deeply involved in the current crisis of local government, the status of a neutral party convening local negotiations.

The Act allows local authorities to opt out of talks. This would mean, for instance, that Bellville would not have to participate in a Cape Metropolitan forum, undermining the principle, already accepted by the Thornhill committee, of a single tax base.

Despite FW de Klerk's statement in February that substantial progress had been made with the planning of a new system of local government that would give recognition to the concept of "one municipality, one tax base", the Act contains no mention of this issue.

This means no progress towards resolving the urgent financial crisis of local government can be achieved.

Clearly, the Act undermines the process of transition to a non-racial, democratic and financially viable system of local government.

□ Amanda Younge is a member of Development Action Group, a service organisation which gives assistance to communities in the Western Cape region on issues related to development, planning and local negotiations.

Children, cane growers benefit

IDT millions for range of new projects

B/Dary 11/7/91

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CAPE TOWN — The Independent Development Trust (IDT) has allocated millions of rands for a range of new development projects which will reach 1,2-million pre-school children, 15 000 small sugar producers and thousands of underprivileged South Africans.

The trust has also initiated new development strategies and agencies, combining forces with the Urban Foundation, other organisations and private investors, to coordinate massive childcare and housing projects which have benefited from the R1,5bn it has allocated since last August.

In a campaign to reach at least 1,2-million of the estimated 3,5-million impoverished young children in SA, IDT trustees have voted R70m to upgrade and expand pre-school facilities around the country.

To sustain this campaign, the IDT has laid the foundations for a national strategy, agreed on by a wide range of organisations, to ensure the effective use of its funds and the mobilisation of additional funds for pre-school care. The strategy will be implemented by an elected national body, and government and the private sector will be approached to take over the funding responsibility.

The IDT also has allocated R17,5m to capitalise a non-profit development agency which will use the combined resources

LESLEY LAMBERT

of the IDT, the Urban Foundation and private sector investors to provide bulk quantities of serviced sites.

In practice, the operations of the Urban Foundation's housing utility companies will be consolidated in a single entity which will provide serviced sites and technical, financial and back-up services to communities and other low-cost housing developers.

In another significant development, the IDT has approved in principle an initial R42m loan to finance 15 000 small sugar cane producers over the next few years.

The funds will be channelled through the SA Sugar Association (SASA) and used to finance the first three years of a five-year development programme involving more than 45 000ha of sugar cane in Natal/KwaZulu, KaNgwane and the Transkei. Subject to annual reviews of the project, the IDT will advance a further R25m in the remaining two years.

The IDT's investment in the small sugar farming sector is part of a project in which SASA's Small Sugar Cane Growers' Financial Aid Fund has advanced R53m in loans to small growers since 1973. This has increased the number of sugar farmers who would otherwise not have had access to

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IDT

agricultural land from 4 000 to 33 000.

Other organisations such as the Development Bank of Southern Africa, the KwaZulu Finance Corporation (KFC), the sugar mills and the private sector will become major participants in the project.

The Development Bank has already started investigating infrastructure such as roads, mechanisation services, haulage, land preparation and the supply of equipment for small irrigation schemes. It will also raise finance for the project, channeling it through the KFC, while SASA and the sugar mills will provide training in cane farming methods and administration.

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Other allocations include: (123)
□ R2,5m to the Valley Trust for the construction and equipping of a health care centre in Natal and the completion of five health subcentres in the area;

□ A R270 500 grant to the Elim Care Group movement in the northern Transvaal to fund efforts by voluntary community health workers to immunise children against disease, improve sanitation and chlorinate water; and

□ R189 000 for the purchase of a site in Mitchells Plain on which a senior care complex will be built.

Free transfer of land bought by nominees

~~By Darius Sanai~~ DARIUS SANAI

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BLACKS who made use of the nominee system to buy land in "white" areas can now have their property transferred into their own names at no cost.

DP MP for Johannesburg North Peter Soal said a clause in the legislation scrapping the Group Areas Act that came into effect this week stated land that had been acquired by a white person on behalf of a black person could be transferred to the "real" owner free of charge.

The nominee system was the only way that blacks could acquire property in white areas until last year.

The transfer procedure was then relaxed following indications from government that all apartheid legislation would be scrapped.

Since then, people wanting to live in areas designated for other races had to apply for a permit from local authorities, a process described by estate agents as a "formality" in most areas.

The Repeal Act clause, which was proposed by Soal, added that anyone who bought property on behalf of someone else who was barred from doing so by apartheid legislation would no longer be seen to have broken the law.

A legal source said yesterday the clause was significant because it applied retroactively.

The nominees were effectively indemnified for committing a crime under apartheid laws, the source said.

Soal said the clause gave people until the end of the year to find a conveyancer and transfer the property deeds free of transfer and stamp duties.

The conveyancer's fees would still have to be paid, he said.

He thought most transfers would proceed smoothly.

In cases where the white nominee could not be found or refused to transfer the property, the Act made it clear the applicant could obtain a court order to transfer the deeds, he said.

Property sources said yesterday thousands of property transfers had taken place through the nominee system.

SOWETAN **FOCUS** **PROPERTY**
 Building the Nation

How VAT affects the buyer of a new home

Sowetan 4/7/91

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THE Value Added Tax Act comes into effect on September 30 this year, replacing the Sales Tax (GST) Act of 1978.

Sowetan readers quite rightly want to know what effect the new Act will have on the cost of new houses.

VAT and GST are not the same. Firstly, VAT will be set at 12 percent whereas the GST rate is 13 percent. Secondly, whereas GST is payable only on the cost of materials, VAT will be payable on the cost of both materials and services/labour.

It is estimated that the price of new houses will increase by between six and eight percent after September 30. So, if you are seriously considering buying a new house, it could be worth your while to start making inquiries immediately.

If you are not yet ready to buy, don't despair. After the introduction of VAT instalments on a 20-year, subsidy-free bond of say R30.000 should increase by not more than R9 a month (calculated at the present bond rate). The extra amount can be included in your bond.

Guarantee

Another question that puzzles many first-time homeowners is: "Who is responsible for problems that I may have with my house after I move in?"

It is important to understand that your builder has to guarantee the house for three months following completion of the contract.

After this time he is only responsible for defects in the roof, which is guaranteed until rain has fallen on it; for structural problems which were impossible to see

Home ownership is not a privilege. It is a reward for hard work and perseverance. But how do you set about buying ground then financing, building and maintaining a home? Join us every Thursday to learn the answers . . . and if you have any questions write to Jacky, PO Box 260835, Excom 2023

when you moved in.

It follows, therefore, that every prospective homeowner must, firstly, take great care to ensure that he or she uses an honest, reputable builder. Either approach an established builder or ask FHA Homes for advice; or if you want to use a small builder, ask to see houses he has already built and speak to people who have used him before.

Contract

Secondly, before you sign a building contract, make sure you fully understand the plans and specifications to which it relates. If you have been reading this series of articles every week, you should be able to read a simple plan with relative ease.

Thirdly, once building has started, visit your site at least once a week to discuss progress with your builder. Insist that he answer your questions to your satisfaction, and constantly check that the house is being built as described in your contract.

Before you move into your new house, your builder will ask you to sign a delivery form. Before reaching for your pen, make an appointment to go through the house with him.

Plan

Check that the house has been built exactly according to plan and that the materials and finishes comply with the specifications.

Are the walls, for instance, straight and neatly finished? Do the doors open, close and lock

easily? Are the window frames solidly built-in and is there putty around every sheet of glass?

If you have ceilings, inspect them. Are they straight and undamaged? Try out the taps and check the bath, basin and sink for leaks. If you have electricity, satisfy yourself that the lights, plugs and geyser are working properly.

Go outside and inspect the roof. Is it properly erected? If you have fascias, gutters and downpipes, are these securely fitted? If your house is plastered and/or painted, make sure that there are no bubbles or rough patches - particularly on the outside.

Delivery

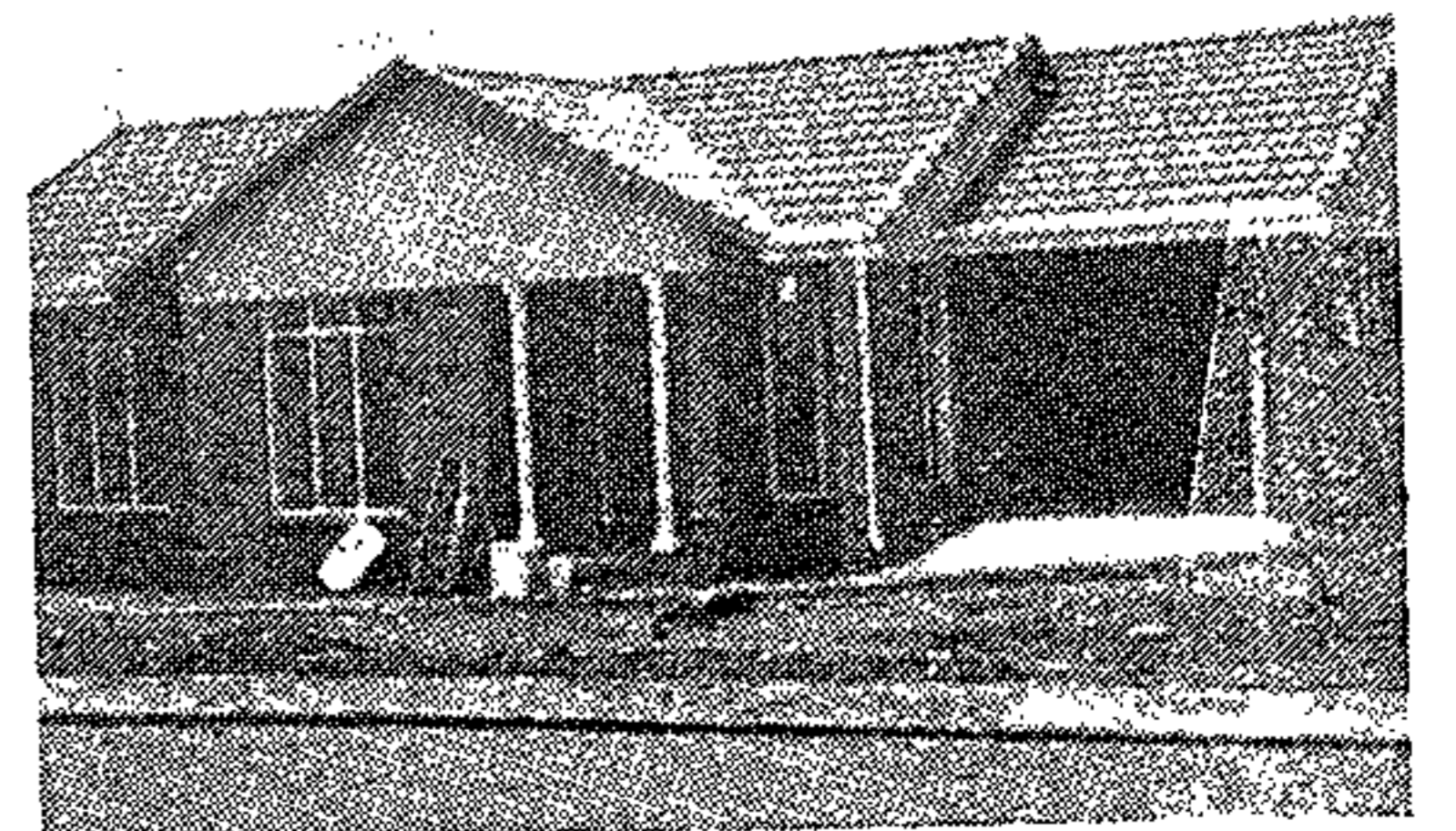
Do not sign the delivery form until you are completely satisfied that the house has been built according to your contract with your builder.

After you sign the delivery form the builder

will give you a three-month guarantee on the house. During this period he will be obliged to repair all defects free of charge, so if you do have any problems during the first three months, be sure to report these to him immediately.

Your house is probably the biggest investment you will ever make, and it is important to keep it in a good state of repair. Next week we'll take a look at some easy, effective ways to care for and maintain your home. - Prepared by FHA Homes.

* Last week's article implied that if the first



Your house ... the biggest investment

payments of your first-time homebuyers' subsidy are delayed, your bank or building society may agree to temporarily add the monthly subsidy amount to your loan after the Government starts to

make payments. This is not correct. You should ask your bank or building society to add the subsidy amount to your loan up to the time that the Government begins to pay your subsidy.

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No fee
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of houses

By Helen Grange
Pretoria Bureau

Victims of the Group Areas Act — who chose to use white nominees on property contracts in areas formerly "forbidden" to blacks — can now transfer their homes into their own names without paying.

Last week, Parliament's Joint Committee on Land Reform unanimously agreed to new arrangements whereby black homeowners can become legally recognised as such, without paying transfer fees.

The new arrangement became law on Monday, said Peter Soal, DP MP for Johannesburg North.

The relevant clause states that a contract where a white nominee was used to facilitate the buying of property in a formerly white area is no longer deemed illegal.

No transfer duty, stamp duty or other fees shall be payable in respect of a transfer (of this kind) to the principal owner, the clause states.

However, should a homeowner be found to have misused this law, he would be liable for a fine not exceeding R8 000 or two years' jail.

"The law was immoral, therefore it was agreed that people should not have to pay to get their homes transferred into their own names now," said Mr Soal.

Hundreds of blacks, unable to live in white areas, either found a white friend to sign deeds on a house, or formed Close Corporations (CC's) made up by a majority of whites.

Many have chosen to leave the situation as it is.

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No fee to take transfer of houses

By Helen Grange
Pretoria Bureau

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Debtors use home loans as crutch

(123)
(Sun Times)
Sittler 7/7/91

By TERRY BETTY

BORROWERS who cannot meet their overdraft, hire-purchase and credit card commitments are gaining relief by liquidating these short-term debts with borrowings against long-term home loans.

The advantages to the borrowers are that home loans carry lower interest rates and are repayable over a longer time. The banks benefit by gaining solid collateral for their advances.

In addition, their capital requirements for home loans are about half those for other forms of bank credit. That means they can lend more.

The Reserve Bank noted a big increase in mortgage advances when the property market was in the doldrums. A bank official says the improvement in property in the past few months is probably insufficient to justify such increases in mortgage advances.

Imprudent

A Reserve Bank Bulletin says the increases in the market values of property because of inflation provides collateral that can be borrowed against. This encourages consumption expenditure when real disposable income cannot support it.

Standard Bank divisional general manager of home loans Eric Tomlinson says this practice is not encouraged or advertised. But a customer will be given a home loan if he can afford the repayments. He says borrowing money to get out of debt is imprudent.

But a Standard branch manager says the method is often used to help clients with pressing short-term debt.

World Bank urges rethink on housing

JOHANNESBURG. (356) (123) CT 8/7/91 The World Bank has urged government and the private sector to conduct a major rethink of housing strategies.

Housing sources said the bank had provided them with detailed suggestions in a critical report circulated after the bank's recent visit to SA. Government sources emphasised, however, that the confidential report had "no official status".

The bank strongly urged the Independent Development Trust (IDT) to reconsider its proposed capital subsidy plan. The size of the subsidies and the standards were apparently too high. The bank called for "broader rather than deeper" subsidy schemes aimed at reaching as many people as possible.

It also told SA banks and building societies they were using the political climate as a "convenient excuse" for not taking part in the top end of the black housing market, let alone in the bottom section. The report called on banks and societies to meet civic organisations and other non-parliamentary groups to hammer out ways in which the institutions could become more involved in mass housing.

The bank wanted financial institutions — rather than government — to be the primary providers of housing finance. Leaving it to the public sector carried the threat of pushing the fiscal deficit to dangerously high levels.

The bank felt SA could benefit from studying the Chilean model of large-scale capital subsidies that went directly to the beneficiaries as well as competitive tendering for low-cost housing.

Rethink urged on housing strategy

Bloway 8/7/91

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GRETA STEYN

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Housing sources said the bank had provided them with detailed suggestions in a critical report circulated after the bank's recent visit to SA. Government sources emphasised, however, that the confidential report had "no official status and merely reflects the bank's first impressions".

The bank strongly urged the Independent Development Trust (IDT) to reconsider its proposed capital subsidy plan, saying not enough people would benefit from current proposals. The size of the subsidies and the standards were apparently too high. The bank called for "broader rather than deeper" subsidy schemes aimed at reaching as many people as possible.

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The bank wanted financial institutions — rather than government — to be the primary providers of housing finance. Leaving it to the public sector carried the threat of pushing the fiscal deficit to dangerously high levels. Mechanisms had to be found to encourage private financial institutions to move "downmarket".

The bank also urged financial institutions to develop more flexible mortgage lending products, suggesting that mortgage payments be linked to a wage index.

It criticised the lack of competition in the building industry. The market structure of the construction industry, including manufacture of building materials, needed

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an overhaul. Lack of competition saw prices rather than output increase when demand rose, the bank said.

Of major importance in a housing strategy was the racial and spatial integration of cities — a change that would benefit the economy by improving efficiency.

The World Bank likened SA's housing policy under apartheid to those of the command economies of Eastern Europe. As a result of these policies, the housing sector underperformed. The economy as a whole was affected. Spending on housing in SA was well below that of other comparable countries when expressed as a percentage of GNP.

Although residential building had a major effect on the economy, directly and indirectly, the bank cautioned against ex-

pecting too much of housing as a "kick-start" to the economy — the approach propagated by the Old Mutual/Nedcor scenario at present.

The bank suggested that the macro-economic implications of alternative home building programmes be explored in detail, so that the economic risks could be pinned down. These risks included the effects on inflation, the balance of payments and the fiscal deficit.

The bank felt SA could benefit from studying the Chilean experience of housing as fiscal stimulus to the economy. The country introduced large-scale capital subsidies that went directly to the beneficiaries and competitive tendering for low-cost housing.

Low-cost ⁽¹²³⁾ housing plans boost scope for Gypsum

By AUDREY D'ANGELO
Business Editor

PLANS to provide more low-cost housing in SA "offer tremendous scope" for Gypsum Industries, its UK-based chairman, Derek Fairbairn, said yesterday.

He was in Cape Town for the presentation of a coveted SA Bureau of Standards (SABS) certificate of quality to the Gypsum Industries factory in Paarden Eiland, which makes Rhino-board ceiling board, partitions and coving.

Increasing numbers of SA manufacturing firms who are either in the export market, or preparing to enter it, are applying for the certificate because it is recognised by the European Economic Community.

But Oloff de Villiers, who is GM of the Paarden Eiland factory and also head of Gypsum Industries' mining operations, said the main reason the factory had applied for the certificate was to "give assurance to our domestic customers of quality and service.

"It also links us to our regular suppliers and ties them down to agreed specifications.

"We do export to other African countries, and we intend to increase this part of the business, but the main part of our production is sold in this country.

Increase in sales

"We expect a big increase in sales when the low-cost housing programme really gets underway."

De Villiers said the Paarden Eiland factory, which employed 194 people and achieved a turnover of more than R40m last year, had not been affected by the downturn in the economy.

"There is still plenty of commercial building going on, including the Waterfront development. People are still investing here.

"And new houses are still being built in the Western Cape. The political situation is causing a lot of people to come here from the Transvaal to retire."

De Villiers said he intended to increase automation in the factory, but this would not result in redundancies. "It is not our policy to retrench people.

"We shall find them jobs in other departments, making use of automation to increase sales volumes.

"If any jobs are lost, it is our policy to reduce staff through natural attrition, not retrenchment."

Landownership for 100 000 poor 'only tip of iceberg'

Staff Reporter *Stur* 22/7/91

Landownership will soon become a reality for nearly 100 000 low-income families, the Independent Development Trust announced yesterday.

According to the IDT, 99 800 subsidised serviced sites throughout South Africa will become available shortly to heads of households earning less than R1 000 a month.

Trust chairman Jan Steyn said the group had to move with abnormal speed to implement

the capital-subsidy scheme because the need to relieve the country's acute housing problem was so great.

However, Mr Steyn emphasised, this was only a beginning in dealing with the problem of homelessness.

"We must remember that the backlogs are enormous. The large numbers of unplanned spontaneous informal settlements are the best evidence of this fact," he said.

IDT trustees recently gave approval in principle to 108 applications involving the 99 800

sites. This will enable poor people to acquire ownership to a serviced stand, to which an IDT subsidy of R7 500 is attached.

Of those applications which have received preliminary approval, 32 percent — 31 800 stands — have been allocated to the PWV region. A further 5 200 stands are in the northern Transvaal, another 4 900 in the eastern Transvaal and 4 000 stands in the western Transvaal.

About 66 percent of the applications were linked to city environments and 34 percent to

smaller towns. Some 65 percent were new site-and-service projects and the remainder involved the upgrading of existing informal settlements.

According to the IDT the allocations use all but a tiny residue of the R750 million earmarked for the capital-subsidy scheme.

Apart from the income ceiling, those who will qualify to acquire the land must be over 21, have dependants living with them, be first-time property owners and receive no other housing subsidy.

Plea for housing schemes

BOTH management and black workers need to be better informed about the factors behind successful in-house company housing schemes, says Ian Bernhardt, a director of employee housing consultant Bernhardt, Dunstan and Otten.

"While companies have, for many years, offered their employees pension and medical aid benefits, housing has been neglected," he adds.

More and more companies are now realising that providing acceptable housing for employees can greatly help improve productivity, Bernhardt says.

But these companies often decide not to introduce such a scheme as they lack the necessary expertise. "Some believe that taking steps in this direction will raise expectations that cannot be fulfilled, while others are put off by the possible cost implications," he adds.

On the other hand, employees are often unaware of the realities and consequences of buying a home, with unscrupulous developers raising their hopes by failing to ex-

plain properly the long-term financial implications of the diverse housing options available.

Even workers at the lowest level can have access to reasonable housing. They should be encouraged to look at realistic options that could involve existing homes or even shacks, says director Joe Dunstan.

Bernhardt, Dunstan and Otten will stage a series of workshops focusing on the critical aspects of the introduction and operation of housing schemes.

Dunstan, who will present the workshops, says those attending will be trained in the proper assessment of individual employee needs as well as a company's ability to meet these needs.

"The workshops will be supported by a full consulting service designed to help companies in implementing simple, user-friendly housing policies.

"We can also become directly involved in educating shop stewards and the workforce."

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Trust injects nearly R750m into housing

LINDA ENSOR (123)

CAPE TOWN — The Independent Development Trust (IDT) has allocated most of the R750m earmarked for its capital subsidy scheme to a development which will give about 100 000 people ownership of subsidised, serviced sites. (206)

The release of the funds will not only provide land ownership but inject vital development funds into the economy generally and the depressed building industry in particular.

IDT trustees have approved in principle 108 applications involving 99 800 sites, enabling people to acquire ownership of a serviced stand to which an IDT subsidy of R7 500 will be attached.

Releasing details of the initiative at the weekend, IDT chairman Jan Steyn said the trust had moved with almost abnormal speed to implement the capital subsidy scheme. 6/10ay 22/7/91

He said the initiative addressed about 10% of SA's housing backlog.

Funds were geographically distributed on the basis of a model assessing current populations and projected areas of growth.

The PWV region has been allocated the most stands — 31 800 (32%) to 26 developers. Natal/KwaZulu will get 22 900 stands (23%) allocated to 26 developers; the eastern Cape 13 000 (13%, 14 developers); western Cape 9 000 (9%, 13 developers); Free State 7 300 (7%, four developers); northern Transvaal, 5 200 (5%, six developers); eastern Transvaal 4 900 (5%, eight developers); western Transvaal 4 000 (4%, seven developers) and northern Cape 1 700 (2%, four developers).

Of the 108 developers, 37% are public authorities including parastatals, 34% are community trusts, 20% are utility companies and 9% are private developers.

In all, 404 applications involving 640 000 sites were submitted by land developers. About 65% of the applications were for new site and service projects with the balance involving the upgrading of existing informal settlements.

Of the applications, 66% were linked to city environments and 34% to smaller towns.

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"A massive exercise — unique in SA — was mounted in recent weeks through the deployment of 83 hand-picked consultants across the country to evaluate the applications," an IDT spokesman said.

He said technical and financial assessments were made on the proposals.

The allocations consumed all but a small portion of the R750m earmarked by the IDT for the capital subsidy scheme. Applications approved in principle would be subject to a series of assessments before being finally endorsed.

The IDT spokesman said outlying areas and less sophisticated communities may have suffered in the selection process but

(123) (206) (206)
this would be addressed if further funding became available.

The project is being led by IDT housing director Ben van der Ross who says the process of allocating the R750m has drawn many new participants into the process of providing low income housing.

"Also, our criteria have forced many developers to come to grips with the concept of community participation for the first time," Van der Ross said.

To qualify for the scheme an applicant must have a monthly income below R1 000, be over 21 years old, have dependents living with him, be a first-time property owner and have no other housing subsidy.

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Door to the promised land about to open for the poor

New plan will benefit 100 000 families in SA

Sowetan 22/7/91

THE DOOR to land-ownership is about to open for some 100 000 low income families in the country, according to the Independent Development Trust.

In a statement yesterday the IDT said nearly 100 000 subsidised serviced sites across the length and breadth of South Africa will become available shortly to heads of households earning less than R1 000 a month.

"At a special meeting in Cape Town, the trustees of the Independent Development Trust gave approval in principle to 108 applications involving 99 800 sites," the statement said.

"This decision will enable poor people to acquire ownership of a serviced stand to which an Independent Development Trust subsidy of R7 500 will be attached. However, conditions on which these approvals are to be based will still have to be negotiated with the successful applicants."

Disputes

Because of the potential for disputes in the event of these conditions not being met and an application failing, specific details of approved projects would be made public only when contracts were signed.

"The allocations consume all but a tiny residue of the R750 million earmarked by the IDT for the capital subsidy scheme," the statement said.

Apart from the income ceiling, those who will qualify to acquire the land must be over 21, have dependents living with them, be first time property owners and receive no other housing subsidy, it said.

A total of 66 percent of the applications were linked to city en-



vironments and 34 percent to smaller towns.

Some 65 percent were new sites and service projects, while the balance involved the upgrading of existing informal settlements.

Of the 108 developers, 37 percent were public authorities (including parastatals), 34 percent were community trusts, 20 percent were utility companies and nine percent were private developers.

In all, 404 applications involving 640 000 sites were submitted by land developers to the IDT.

Evaluate

"A massive exercise - unique in South Africa - was mounted in recent weeks through the deployment of 83 handpicked consultants across the country to evaluate the applications. Technical and financial assessments were made to check whether development proposals were implementable and social assessments done on whether they were desirable."

The project is headed by the IDT's director of housing, Mr Ben van der Ross, who appointed two co-ordinating consultants to work with a network of experts all over South Africa.

"The scheme seeks to give very poor people access as fast as possible to the housing process in a way they can afford and in areas which are likely to become economically sustainable communities."

The chairman of the IDT, Mr Jan Steyn, in releasing details of the initiative, said that because the need to relieve the country's acute housing problem was so great,

"we have had to move with almost abnormal speed in implementing our capital subsidy scheme," according to the statement.

"An extraordinary process had to be developed in order to apply the criteria which we set while still achieving our objectives within such a narrow timeframe," he said.

He emphasised however, that this was only a beginning in impacting on the problem of homelessness.

"We must remember that the backlogs are enormous. The large numbers of unplanned, spontaneous, informal settlements are the best evidence of this fact. Our present effort will probably address only 10 percent of the problem. An ongoing sustained process is essential to resolve the issue."

The statement said the consultants entered into a painstaking process of talking to a wide cross-section of the communities from which applications had come.

Strategy

"The consultants also interacted with the applicants themselves. They will be advised of the outcome in writing within a week."

Applications approved in principle would now be subjected, among others, to the following assessments before final endorsement was given:

- * A projected programme of activity in completing the development;

- * Details of a monitoring process to be applied to that programme;

- * The developer's policy in allocating sites to individuals;

- * A commitment to community involvement;



JAN STEYN

* An agreed strategy for advising the public and potential beneficiaries that subsidies have been granted.

The process of allocating R750 million had already had positive spinoffs in the housing field, according to Van der Ross.

"Many actors have been attracted into the process through the opportunity to gain access to our resources," he said on Saturday. This must increase the country's capacity to deliver suitable and affordable housing projects to the very poor.

"Secondly, the limits we set have compelled many proposers - both the authorities and communities - to accept the inevitability of lower standards.

"Thirdly, we know of many instances where previously hostile communities and authorities have co-operated in developing proposals.

"Also, our criteria have forced many developers to come to grips with the concept of community participation for the first time. Thus, even where applications are unsuccessful, we feel that this experience will influence them positively in future," Van der Ross said. - Sapa

Monday, July 22 1991

Subsidy for 100 000 poor families

123 CT 22/7/91

SOME 100 000 low-income families are soon to become land-owners, according to the Independent Development Trust (IDT).

The IDT said yesterday that nearly 100 000 subsidised serviced sites across South Africa would be made available soon, to heads of households earning less than R1 000 a month.

"At a special meeting in Cape Town, the trustees of the Independent Development Trust gave approval in principle to 108 applications involving 99 800 sites," a statement said.

"This decision will enable poor people to acquire ownership of a serviced stand to which an Independent Development Trust subsidy of R7 500 will be attached. However, conditions on which these approvals are to be based will still have to be negotiated with the successful applicants."

Because of the potential for disputes in the event of these conditions not being met and an application failing, specific details of approved projects would be made public only when contracts were signed.

Apart from the income ceiling, those who would qualify to acquire

the land must be over 21, have dependants living with them, be first-time property owners and receive no other housing subsidy, it said.

"A massive exercise of its kind in South Africa — was mounted in recent weeks through the deployment of 83 hand-picked consultants across the country to evaluate the applications," the statement said.

"Technical and financial assessments were made to check whether development proposals were implementable, and social assessments done on whether they were desirable.

"The scheme seeks to give very

poor people access as fast as possible to the housing process in a way they can afford and in areas which are likely to become economically sustainable communities."

IDT chairman Mr Jan Steyn said, however, that the IDT grants were only a beginning in impacting on the problem of homelessness.

"We must remember that the backlog is enormous. The large numbers of unplanned, spontaneous, informal settlements are the best evidence of this fact. Our present effort will probably address only 10% of the problem.

PRETORIA — The SA's case. Marike



THE South African Housing Trust (SAHT), a leading facilitator of low cost housing, has come up with another winner — a scheme to teach first-time homeowners how to avoid losing their homes or being ripped off by bogus salesmen.

Corporate communications head Mike Fowlds said the programme stemmed from extensive market experience picked up by the SAHT during the past three years through its national network of residential agents.

SAHT's first home ownership information programme was introduced to its own clients in lower income communities some three years ago.

"We provided them with the information they needed to reduce their own risk by being fully aware of the purchasing process and their obligations in property ownership."

"In addition, it also has a risk reduction effect for the financial institutions," Fowlds said, adding this also reduced the risk for SAHT to provide bond financing through

Tips to avoid the big ripoff



Reports by DERRICK LUTHAYI

its subsidiary, Khayalethu Home Loans.

The new guidance programme will be offered nationally.

The housing backlog

SAHT takes the risk out of buying a home

for lower income communities in South Africa is estimated to be 1.8 million units, which means the current rate of providing housing has to be increased.

The recent introduction of the Independent Development Trust (IDT) capital subsidy on land means more lower income earners now have access to home ownership.

However, without the

necessary guidance prior to taking possession, risks remain which might lead to mistrust and discontent.

These are issues our country can ill afford, said Fowlds.

He reckons this initiative by SAHT is of national importance as it might provide greater assurance to financial institutions, allowing them to return to the lower income property market.

This will in turn boost the building industry.

Fowlds said employers could play a major role in giving guidance in property ownership.

Current statistics indicate there are approximately 5.2 million urbanised households in South Africa with a monthly income below R2 000.

The majority will require financial assistance and property ownership guidance.

The guidance programme covers basic issues essential to understand before purchasing a property.

These include:

- The advantages and disadvantages of home ownership;
- Available assistance;
- Affordability and how to budget; and
- Responsibility of home owners' extra expenses and costs.

Once the decision to buy a house has been taken, it covers such considerations as the building contract, money matters, the actual building process and how to inspect the building work.

Home owners are protected from inflation

123
THERE is both good news and bad news for the property market in the latest inflation figures announced by the Central Statistical Services (CSS).

The figures give the strongest pointer yet to the belief that the government is losing the fight against inflation.

The good news for investors, says Camdon's Group MD Scott McRae, is that the values of existing homes will increase in line with their inflated replacement costs — or more specifically — in line with the cost of new construction.

The bad news is that bond rates may not be allowed to fall as soon as or as rapidly as might originally have been hoped.

"So, if you are in property you are protected against inflation by the escalating value of your home.

The inflation rate has crept up to the 15% — on a level with the expected rise in house prices this year.

Another interesting trend at the moment is that the gap between the prices of existing and newly built homes appears to be closing, hinting at the beginnings of a strong resurgence of the market.

Traditionally there is a gap of up to 30% between

CT 20/7/91
existing and new home prices, says McRae.

"The latest figures supplied by one of the major institutions show building costs increasing by 15% a year at present.

Predictions are that prices for existing homes will increase by 12% on average following a similar increase in the year to end March 1991.

"The overall upward price pattern is therefore well-entrenched but these figures also mean a gap of only 2% or so between the price of existing and new homes, indicating clearly that there is growing demand for re-sale (second hand) homes.

During the first quarter of 1991 the average price of a medium-sized house increased by 13%, larger houses by 9% and smaller homes by 16%.

The upper end of the market is slowing down, while the lower end is showing considerable vigour reflecting, perhaps, some of the effects of removal of the Group Areas Act.

Small homes now average just less than R100 000, medium sized homes R111 000 and larger homes R155 000.

The critical factor is relative cost, says McRae.

Nominal mortgage payments on a 20-year R89 000 bond amounted to R1 564 in the first quarter of 1991 — 12,9% more than a year ago.

So, says McRae, it is clear that property ownership is becoming progressively more expensive.

Aid to SA set to double

Political Staff

NEXT YEAR, six of the world's most industrialised nations and the EC look set almost to double the R450m they committed in direct aid to South Africa in 1991, diplomats said yesterday.

Following the Tuesday pledge by G-7 leaders to help South Africa revive growth and create job opportunities for blacks, the diplomats said their governments would continue to plough money into projects they had identified.

Japan is the only G-7 member which does not channel aid to South Africa.

Most of the R450m committed, and the largest proportion that had been spent, was on education and housing, they said. Other areas earmarked for aid were health and social welfare.

The diplomats were unanimous that there was an urgent need to restore growth to the economy to reduce apartheid inequalities.



THIS WAY ... President Mikhail Gorbachev and President George Bush, under the watchful eye of an unidentified interpreter, shake hands at the start of yesterday's meeting.

Picture: AP

One said that while aid efforts were having a good effect, South Africa's economy really needed access to IMF and World Bank loans.

US and British diplomats and the EC representative estimated that aid from their governments and the EC collec-

tively would increase from the current R450m to R730m next year.

If Germany, France, Canada and Italy made similar increases, the total aid package would double.

US Information Services public affairs counsellor Mr Kent

Obee said President George Bush, on announcing the lifting of US sanctions, had said his country would double its R170m aid commitment to South African projects, mainly in education and housing.

German embassy

spokesman Mr Fritz Diehm said that while his government would increase aid next year, resources were limited because his government was committing large amounts of money to rehabilitate the former East Germany.

A British embassy spokesman said his government was spending about R50m on about 300 projects this year, mainly involving education, housing and social welfare.

It is understood British aid could rise by another R40m in 1992.

The Canadian embassy said it expected its government substantially to increase its aid from the current R23m once South African reform was accepted as irreversible.

The French and Italian embassies also spoke of substantial increases, but they would know the details only later this year.

● Superpowers agree on arms treaty — Page 3

LOW FLAT RENTALS ARE SET TO TAKE A LEAP

By REG RUMNEY

FLAT rentals are low and should see a tremendous leap in two years' time with the next upswing.

This emerged at a property conference organised by Erwin Rode's Real Estate Surveys.

Rent control has been blamed for low rents and hence the dearth of construction of new flat blocks. The argument ran that no one would put up a new building while rents generally were kept low by rent control.

However, Rode added, rent control would by the end of the year have been completely phased out, but few new flat blocks had been constructed.

Even with the passing of rent control it still doesn't pay to put up a block of flats for renting out to tenants.

Why should this be?

Rode's theory is that housing subsidies have been the real cause of persistently low flat rents. Flats form part of a bigger market for accommodation which includes housing, he explained.

Rode reminds that house subsidies distort the market, and many homeowners have been subsidised.

The landlord has not been able to put up flat rentals, because beyond a certain point it pays the flat renter to move out and buy a house if he has a subsidised mortgage bond.

For example: John and Mary are renting a flat, and the rent rises to R500 a month. Then John discovers he can buy a house for R500 a month with the addition of a subsidy from his employer. It makes more sense for them to buy the house than pay the higher rent.

Rode has been campaigning for housing subsidies — for second-time house buyers, not state subsidies for first-time house buyers — to be abolished.

The government has phased out the tax benefit of subsidies.

What little remains is the benefit of the difference between the official interest rate, now 19 percent and the market rate, now 20,75 percent.

If a homeowner gets a subsidised home loan of 19 percent he pays no extra tax.

If he gets a subsidised home loan below that, he pays tax on the difference between the lower rate and 19 percent.

So there is still a benefit in the subsidy. This, believes Rode, Finance Minister Barend du Plessis is likely to allow to dwindle until it becomes tax neutral or even tax punitive.

Getting a subsidy would become tax punitive if the official rate stayed at 19 percent and the market rate fell below that.

Rode forecast that as the tax benefit disappears within a year, employees will be banging on their bosses' doors asking for house subsidies to be changed to cash payment which they can spend as they choose.

Rode said the selling off of flats on sectional title would also put pressure on flat rentals. Up to now there had been no measurable impact.

How much flat rents will rise is difficult to gauge.

Demand in the rental market has also been distorted to some extent by the Group Areas Act.

No-frill

123
homes for

Star 16/7/91
R5 000

More than 60 percent of black South Africans cannot afford a house costing more than R12 000, while for 15 percent the affordability ceiling is R2 500.

Against this background, added to the ever-increasing squatter problem, Condev Homes, the housing arm of construction giant Murray & Roberts, has launched a project to provide basic homes for low-income groups.

Steel product

Mike Cotterell, general manager of Condev Homes, says two companies in the M&R stable were given a brief eight months to design and build a no-frills home which would sell for about R5 000.

"Using the Waltberg system, Ribco has produced an excellent steel product, while CI Caravans' teams have used their own technology to make a house from vacuum-laminated sandwich panels."

Both building systems lend themselves to a volume production with a potential of more than 4 000 homes a year.

"These units must not be seen as permanent homes but when compared to the squatter hut, they are a perfectly acceptable structure for the short to medium term until better housing can be afforded."

Govt may issue new stock to fund housing

SEAN VAN ZYL

THE issue of new government stock to fund black housing development could be on the cards next year.

It is expected that the government-appointed housing advisory committee, headed by Joop de Loor, will recommend this in its report to be presented to Cabinet by the end of the year.

The placing of government stock, possibly through a new housing corporation, would unlock millions of rand currently tied up in pension and life funds, De Loor said in an interview yesterday.

The 10-member advisory committee was appointed by Cabinet at the beginning of the year to formulate a unitary housing development policy.

De Loor said: "The committee was not only charged with recommending a unitary housing policy, but also an optimum means of implementation".

While it was necessary to encourage private sector participation in development it would be impossible to address the outstanding housing backlog without financial assistance from government, De Loor said.

He said future state assistance would be aimed "at the man with almost zero income" and would have to come out of taxpayers' pockets.

De Loor said the housing committee's final report, expected towards the end of the year, would influence government's financing and budget allocations for the 1992/93 fiscal year.

The committee's "technical investigation" would be completed by the end of next month, with a first draft report made available in September.

"The committee may then hold regional workshops countrywide to encourage comment from the business sector, community bodies and other organisations — but this has not been finalised.

"However, it is imperative that the final report presented to government includes input from grass-roots community level through to the major financial players."

De Loor believes the launch of a new government-underwritten stock would be snapped up readily by life companies to avoid further investment regulation.

(123) Africa eyes

investment in

SA property

Finance Staff ^{Star} 16/7/91.

Affluent residents of other African countries are eyeing the South African residential property market as a potential investment, reports Ronald Ennik, director of Pam Golding Properties (Transvaal).

Mr Ennik says the organisation has already met a delegation from Kenya and has had enquiries from such countries as Zimbabwe, Ivory Coast and Nigeria. "South Africa is recognised as the powerhouse of Africa and, like Botswana, is one of the most successful economically.

"It therefore comes as no surprise that wealthy people in the rest of Africa will want to be part of this success story.

"Despite its present problems, this country and its economy are perceived as a sound long term investment."

Mr Ennik says an inflow of investment could have a significant impact on the local market.

Govt 'will have to subsidise service costs'

123
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By PETER DENNEHY

THE government will probably have to subsidise the provision of services to impoverished communities at below cost.

This was said yesterday by development consultant Mr Colin Appleton, formerly of the Urban Foundation, at the launch of a technology olympiad at the Cape Technikon.

Dozens of Std 9 pupils from all departments of education are to compete for a R12 000 bursary from Eskom, by designing "appropriate technology" solutions to problems of urbanisation in the Western Cape.

Mr Appleton said one of the reasons behind the financial failure of black local authorities was that many people could not afford to pay even the approximately R50 a month it cost to provide them with basic services necessary to maintain health.

Most people in places such as Khayelitsha had incomes of less than R400 a month, and many earned less than R200 a month.

Mr Appleton said many boycotts of service charge payments occurred simply because residents could not afford to pay their bills.





The Ciskei Building Society's new head office in Bisho, designed by Raymond Drake of Osmond Langa, is L-shaped and scaled to form a link between the CBD and an upmarket residential area. However, the building is large enough to allow for ample growth in the society's business and cater for the needs of a modern financial institution.

Guidance plan for low income owners

5/Day 10/7/91

Reports by
PETER GALLI

A NEW property ownership guidance programme covering nine basic information issues identified as essential for lower income property owners has been developed by the SA Housing Trust (SAHT).

Some of the issues dealt with are the advantages and disadvantages of home ownership, available assistance, affordability, building contracts and money matters.

The programme is the result of the trust's extensive market experience accumulated over the past three years in providing guidance to potential homeowners.

The Trust developed and introduced its first home ownership information programme to clients in the lower income communities three years ago.

"We provided them with the information they needed to reduce their own risk by being fully aware of the purchasing process and their obligations in property ownership," says corporate communications head Mike Fowlds.

This also reduces risk for financial institutions, he adds. The "direct interface" with the property owner and community facilitated the new property ownership guidance programme, which will be available nationally. It is hoped that companies will help implement the programme.

The SAHT's initiative could lead the financial institutions to return to the lower income property market with long-term financing. This in turn would boost the building industry.

The need for accommodation in lower income communities is believed to be 1,8-million units, which means the rate of providing homes has to be increased considerably.

Fowlds said that with the recent introduction of the Independent Development Trust capital subsidy on land, more lower income earners would have access to property ownership. However, without the necessary

guidance before they took possession, there would still be risks, leading to mistrust and discontent.

Statistics indicated there were about 5,2-million households in SA with a monthly income of less than R2 000. Most of these people would need some form of financial help, and all would require guidance about property ownership.

Fowlds said employers should play a part in informing their employees about property ownership.

"We will willingly train companies' human resource management to present the programmes to their staff," Fowlds says.

10/7/91 (123)

Dam-side project caters for 'second home on waterfront'

THERE is a trend towards smaller, more secure homes, says Kondotel marketing MD Gavin Michaelmore.

"People are becoming more security conscious and are tending to move away from the larger property to the upmarket cluster homes and townhouse developments, which offer all possible amenities and improved security."

As a result, people were also looking at opportunities for holiday homes in an outdoor environment.

"Second homes are becoming ever more popular, with groups of people joining together to form syndicates and then buying a luxury place between them," he says.

Research had shown that these "second homes" should not be more than two hours drive from the first home.

Ile d'Afrique, a waterfront development on the Crocodile River as it enters Hartbeespoort Dam, is under construction and intended to cater for this demand.

While it is not designed as a development to attract syndicates, phase one is based on an island concept and consists of 30 units priced from R350 000 to R600 000.

Two units have been sold so far.

Nine different plans are offered and the variation in price depends on the size —

two to four bedrooms — style and location of the unit.

"The development is aimed primarily at the 'second home' market and is just a 40-minute drive from both Johannesburg and Pretoria," says Michaelmore.

The development is set on 150ha with more than two kilometres of water frontage at the mouth of the Crocodile River. "No motor-driven boats will be allowed here and we will build our own harbour and have a boating lane onto the dam."

The company has the right to develop 250 units, and development will take place over four to five phases. In addition, rights are in place for a 100-suite hotel.

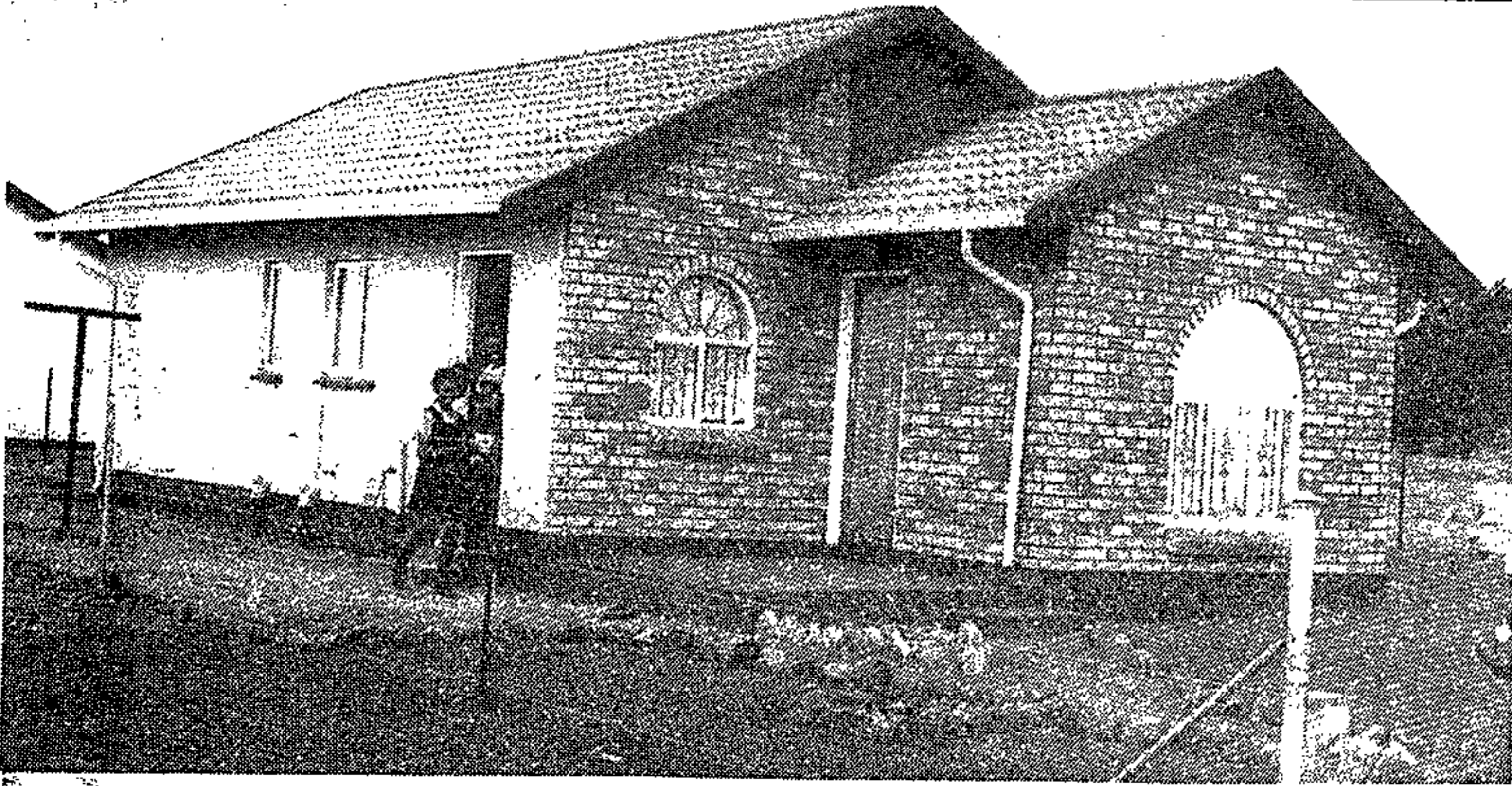
"The development will be sensitively planned so as not to disturb the environment. We have worked in co-operation with the local authorities, and the Department of Nature Conservation looked at the ecological side of this," Michaelmore says.

The group has linked up with Pam Golding Properties for promotional and leadwork.

"The development will start as a share block scheme with conversion to sectional title later. A home loan scheme is presently under investigation," Michaelmore says.

SOWETAN
Building the Nation

PROPERTY



Conventional homes are still out of most people's reach. But there are other alternatives. Taking advantage of the Loan Guarantee Initiative can reduce your deposit to five percent.

Lack of cash is really not an obstacle

IF you have been following this series of articles since it first appeared in March this year, you should by now have a good understanding of the processes involved in buying a new house.

In addition to these, we also discussed the various housing options currently available - conventional and starter housing; as well as an exciting new concept that will soon allow first-time homeowners to buy their own ground for just a few hundred rand in convenient, newly laid-out townships.

In case you missed reading any of the articles in the series, let's take a quick look at some of the main topics covered over the past few months.

Early in the series, we met Alfred and Selina Kunene, who are at present building a conventional home in Vosloorus costing R45 000, including ground.

Money

This is obviously far more money than the Kunenes actually had in cash. So like many other prospective homeowners, they asked FHA Homes to help them apply for a home loan (bond) from a building society.

Within a couple of weeks they were told that provided they had a high enough income to afford to make the necessary monthly repayments, the building society would lend them 80 percent of the funds needed to buy their ground and have their home built for them.

It was up to them to raise a deposit of the remaining 20 percent.

Fortunately, the Kunenes had managed to save a deposit of R9 000 over the years, and their present income of R2 500 a month easily qualified

Home ownership is not a privilege. It is a just reward for hard work and perseverance. But how do you set about buying ground then financing, building and maintaining a home? Join us every Thursday to learn the answers ... and if you still have any questions, write to Jacky, PO Box 260835, Excom, 2023.

them for a bond of about R36 000.

Alfred and Selina learned that they would be able to pay off the money they owed the building society in monthly instalments over 20 years.

These instalments would include all interest, administration fees and insurance premiums.

Interest

At the present interest rate, instalments on a R36 000 bond amount to around R605 a month. But the Kunenes were in for a pleasant surprise. Initially, they would pay far less than this.

Because they earned less than R3 500 a month, and because they were buying a newly built house, Alfred and Selina qualified for a first-time homebuyers subsidy from the Government, which would pay about R195 of their monthly instalments over the first few years.

Even with this subsidy, Alfred and Selina knew that it might sometimes be a struggle to pay their instalments.

But in a few years' time, their house would probably be worth a great deal more than they had paid for it.

So if they later decided to sell it, the extra money would be theirs to invest in an even better home.

And with the Group Areas Act now gone, they are looking forward to the future with new hope and determination.

At this stage, you may well be saying: "That's fine for the Kunenes. But

not everybody has managed to save as much as R9 000 for a deposit. And not everybody earns as much as they do."

If raising a 20 percent deposit is your problem, a good solution would be to buy a house for which you need a bond of less than R35 000. (This figure is likely to be increased soon.) This way, you can take advantage of a special opportunity created by the Loan Guarantee Initiative, and reduce your deposit to five percent.

Insurance

The trick here is to purchase a special insurance called Deposit Replacement Cover.

At the same time, you will have to take out a second insurance, called Risk Reduction Insurance (this applies to everybody who takes out a bond of about R35 000 or less).

Before rushing off to apply for Deposit Replacement Cover, you should always ask your employers whether they are prepared to help you finance your new house.

Most civil servants and some employees in the private sector qualify for low-cost loans and subsidies.

Unfortunately, conventional homes are still out of most people's reach. But there are other alternatives.

Next week, we'll take another quick look at the cheaper options ranging from around R28 000 to less than R1 000.

Prepared by FHA Homes.

Sowetan 25/7/91 123

Hostels coming under ⁽¹²³⁾ spotlight

ARGUS 27/7/91
Weekend Argus Reporter

LEADING representatives from 28 organisations will take part in a forum on hostels at a half-day seminar at Midrand next Thursday.

The representatives will speak for extra-parliamentary groups, civic organisations, trade unions, the private sector and the government. Others with an interest in finding common ground on hostels have been invited.

The forum will explore how communities might take part in finding solutions to hostel problems.

Task groups will be appointed to follow up this.

Facilities are being provided for the seminar by the Independent Development Trust and the Development Bank of Southern Africa.

Dr Simon Brand, Development Bank chairman and chief executive, and Mr Jan Steyn, IDT chairman, noted that as development agencies their organisations from time to time had been approached to support proposals relating to hostels.

"The diverse nature of the proposals has led us to conclude there will be considerable benefit in evolving a shared appreciation of the opportunities and constraints among the principal actors in this area of activity.

"Therefore, we took the liberty of informally contacting interested parties to initiate a process to deal with these issues."

They appeal in a joint statement for participants to respect the sensitivity of the hostels issue and thus "avoid unnecessary speculation, conflicts and tension".

Mr Steyn will give an opening address at the seminar and Professor Dan Smith of the University of Natal will outline the hostel situation.

PROPERTY TAXATION

SOFTLY, SOFTLY

FM 26/7/91
 123

Talk that an ANC government might target, among other assets, fixed property — especially second homes, in its proposals to tax wealth — has set the cat among the pigeons.

It could explain why there has been a sudden flurry of interest among property owners in rationalising their holdings, which is one way of the wealthy avoiding becoming milch cows for any socialist-inclined government.

Estate agents caution, however, that the time is not yet ripe for them to rush out and sell the family holiday cottage or second home at Hermanus or Plettenberg Bay. Any attempt to introduce a capital gains tax, they point out, is likely to be severely constrained by the need to maintain a high level of stability and growth for the economy in the years ahead.

More particularly, introducing a capital gains tax is one surefire way of killing confidence and new investment in any economy. Certainly, people like property economist Erwin Rode and the UBS's Hans Falkena seem satisfied that there is no reason to panic — at least for now.

Even ANC tax adviser Lieb Loots, whose comments on the need for some form of wealth tax may have prompted the scare, sees problems with implementing an effective tax on fixed property. He readily admits that targeting second homes for special tax treatment (as distinct from municipal taxes which are already payable on most of them) would be difficult to implement and almost certainly encourage owners to indulge in tax-avoidance schemes.

"People would do all in their power to bypass such taxes by, for example, transferring a property into the name of a spouse. The result is that it would simply create the need for a large and costly administrative infrastructure. This would nullify any advantages derived."

But that doesn't, he says, mean property should be exempt from some sort of additional taxation. "Some would argue that the whole tax system needs reforming so that ordinary salary earners aren't, as they are now, excessively burdened by taxation. And the collection of property tariffs would be part of any overhaul."

Tax reform, he argues, should have two objectives: to establish a system which is perceived to be fair by both wealthier people, who bear the brunt of taxation, and poorer people who do not, and to establish efficient methods of generating State revenues which are also conducive to economic growth.

"The problem would be how to compensate for the loss of revenue in a tax regime which, for example, lowered the top marginal rate and reformed company tax. The prin-

ciple is to have a more-or-less balanced tax net spread over many areas, rather than a few taxes bearing the brunt of revenue needs.

"In the context of perceived fairness and the efficient generation of revenue I would probably suggest reforms which replace the present flat rate tax with a compensatory mechanism such as a progressive property tax."

Fixed property could be valued on the same basis as now but perhaps at more regular intervals. A moderately progressive tax would then define, for example, three brackets — up to R100 000; R100 000-R500 000; and R500 000-plus. The owner would, on a graduated scale, pay a percentage in the rand on that value in tax.

"This should meet ANC concerns about wealth redistribution. At the same time it need not be implemented in a way which would either act as a disincentive to property owners or lead to an inefficient bureaucracy. In fact, no additional bureaucracy will be needed. Theoretical literature and research on tax systems suggest that this kind of tax, if correctly structured, is fairly efficient and desirable because it doesn't, for instance, influence decisions on where or how one saves and invests.

"The present dispensation, in contrast, encourages institutional rather than other sav-

ings, with the result that insufficient capital is channelled into areas like venture capital. A progressive property tax would not have this effect," Loots asserts.

Predictably, there are many who take the contrary view. Econometrix's Azar Jammine says the ANC has talked about targeting second homes — particularly those not lived in — for special taxation. But he insists such a policy is "totally anti-capitalist" and would undoubtedly lead to a stagnation in the residential property market. "Fortunately, the ANC seems to have backtracked on the issue," he adds.

He has some sympathy for the concept of a broader capital gains tax as a means of reducing the burden of taxation on income. Like Loots, he argues that the net effect of the current taxation system has been to create a "paper chase of financial assets on the stock exchange and, to a certain extent, to facilitate excessive commercial property development to the exclusion of housing."

Sapoa president Derek Stuart-Findlay stresses that Sapoa must "emphasise the importance of the free-market system and freehold ownership of property in the wealth creation process, and anything which impedes that process will affect investment generally as well as investment sentiment."

Adding his support, property economist Neville Berkowitz notes that "any taxation of property is negative for property. Any

continue

PROPERTY FM 26/7/91
 123
 ANC government implies a socialist economy and within that ambit property becomes a lot less desirable from many points of view because that, in essence, means taking from the rich to give to the poor as a process of wealth redistribution.
 "In that scenario one perceives a lower economic growth rate and property tends to be in less demand in low-growth economies. So property would lose its lustre as an investment haven. Any taxation of property on top of that will only exacerbate the situation."

OLD BLOCK

ers include IGI, First National Bank, Grinaker, Genrec and Blue Circle.

Phase two comprises another 18 units with selling prices starting at R450 000. Construction has started on six of the homes, designed by architect John Halford of MLH. According to Grinaker, our are already under negotiation.

Buyers apparently have considerable say in the interior layout and finishes of their homes, while overall architectural and aesthetic standards are ensured by maintaining a generic design theme for development.

The project was conceived by sugar and cattle baron Denis Barker after he visited classic golfing estates in the US.



Zimbabwe fails to cut deficit

HARARE — Zimbabwe has not yet been able to reduce its budget deficit, estimated at more than Z\$1bn, and figures contained in the estimates of expenditure tabled in parliament yesterday indicate increased public spending, the domestic news agency reported.

Senior Finance Minister Bernard Chidzero outlined a programme last year to reduce the deficit to 5% of gross domestic product (GDP) by 1995, a development which is central to Zimbabwe's economic structural adjustment programme (ESAP), Ziana reports.

Among the steps proposed to achieve this were a reduction of the civil service by 25%, and scrapping of subsidies to parastatals and on some commodities.

However, this year's estimates reflect an increase in the vote for the public service, as well as subsidies to parastatals, with some of them being allocated almost three times that of 1990-91.

In addition, the controversial Ministry of Political Affairs, which houses one senior minister, two ministers of state and four deputy ministers, although showing a reduction of almost Z\$15m, has an increased sala-

ry, wages and allowances bill of more than Z\$23m, compared with Z\$21.5m last year.

The president's salary has been frozen at Z\$125 000 a year.

The nearly Z\$15m cut in the Political Ministry's vote is largely accounted for by the drastic reduction of the allocation for national service, which plummeted from Z\$20m last year to Z\$1.5m, Ziana said.

The public service, which has an 180 000-strong work force, has been allocated an additional Z\$9m.

Subsidies

The perennially loss-making national flag carrier Air Zimbabwe had its subsidy increased from Z\$9m to Z\$26.7m this year, while the allocation of public funds to struggling Zimbabwe Iron and Steel Company (Zisco) has risen to Z\$139m from Z\$100m last year.

National Railways of Zimbabwe, one of the few parastatals that have managed to reduce losses, this year received a subsidy of Z\$148.6m, compared with Z\$255m last year. Agricultural subsidies remain almost constant at Z\$270m.

The hosting of the Commonwealth heads of government meeting represents a Z\$1.8m bill. — Sapa.

SA firms show goods in Zambia

LUSAKA — Thirty SA companies will take part in the Zambia Agricultural and Commercial Show, which kicks off in Lusaka on August 1.

The record SA presence confirms that Zambia is in fact trading with SA.

Ministry of Commerce and Industry officials said yesterday that the 30 firms had been given permission to exhibit their products at Zambia's largest agricultural and commercial show.

Zambia Agricultural and Commercial Show Society chairman Andrew Hamaamba has appealed to the Zambian business community to take advantage of the presence of SA businessmen who will be exhibiting.

"This is your chance to make hay while the sun is shining," Hamaamba said.

Many Zambian shops are flooded with SA products.

SA products ranging from machinery to household goods will be on display at the show next week.

Asked last week why Zambia could not normalise trade relations with Pretoria — especially in the light of the availability of SA products in Zambia — Commerce and Industry Minister Crispin Sibeta said: "The time is not yet ripe for us to do so. When the opportunity arises, we shall make a formal announcement about trade links with SA." — ANO.

Violence 'scaring off buyers'

CAPE TOWN — The volume of residential property sales to foreign buyers has dropped considerably because of violence and political uncertainty, says Seeff Residential Properties MD Samuel Seeff.

Seeff does not expect the lifting of sanctions to have much effect on the local property market in the short term. Traditional foreign investors — people from the UK and Europe who had previous involvement with SA — have continued purchasing with a view to acquiring holiday homes or places to retire to.

Seeff's London-based international property manager, Adele Beare, says the easing of the UK property market could release new buyers for SA's market.

"One of the factors that would result in greater movement from potential immigrants from the UK is the lowering of interest rates by 2% in the past two

months. This has led to a greater number of sales than in any similar period in the last two years, so buyers waiting to sell in the UK before coming to SA will be able to move that much more freely."

Seeff says that in the medium to longer term new investors will be brought to SA as companies return to do business here. SA's property market remains undervalued compared with the rest of the world. Should SA overcome its problems and move toward political settlement, "we can expect a great resurgence" of foreign investors, he says.

On the domestic front, Seeff says Transvaal buyers have shown much interest in Cape Town property, and that sales in white areas have increased noticeably since the Group Areas Act was scrapped.

Asked to identify the problems, he said agreement on a front was reached outside SA's borders by the ANC, PAC and the OAU — which recognised only these two organisations. — Sapa.

Azapo will attend talks on patriotic front

THE Azanian Peoples' Organisation (Azapo) yesterday cleared the way for a patriotic front when it dismissed speculation that it would not attend talks with the ANC and PAC in Cape Town next month.

Azapo projects co-ordinator Lybon Mabasa told a

news briefing in Johannesburg: "There has been speculation that Azapo is pulling out of the patriotic front. There can be nothing further from the truth," he said.

But Mabasa acknowledged there were problems surrounding the concept of



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(Incorporated in the Republic of South Africa)

HoD is not "insensitive"

THE House of Delegates would in future have no difficulty in accepting applications for housing from people of all races, according to Mr Baldeo Dookie, acting chairman of the Ministers Council.

Sowetan 25/7/91
Dookie, who is also acting Minister of Housing in the HoD, was commenting on the "illegal" occupation of 60 newly-built houses in Marlboro Gardens by a group of Alexandra Township women last week.

He said the HoD had taken a "pro-active stand in working towards a new South Africa" and had demonstrated its concern over the plight of the homeless,

particularly black South Africans, by providing "in excess of R42 million worth of land resources for the development of informal housing for the black community".

He said of the 60 houses completed in Marlboro Gardens, an Indian township near Alexandra, 50 had been allocated to applicants on the waiting list, some of whom had waited for more than 15 years.

The houses were standing empty for "cultural and religious reasons". This apparently created the impression that they were vacant, said Dookie.

SOWETAN

Building the Nation

DRIPS

There's hope as inflation bites homes

123

Sowetan 25/7/91

LATEST inflation figures released by the Central Statistical Services have "good news and the bad news" for the property market in South Africa.

The figures also appear to confirm that the Government is losing the battle against inflation.

The good news for investors, says Camdom's group managing director Mr Scott McRae, is that the value of existing homes will continue to increase in line with their inflated replacement costs, or more specifically, in line with the cost of new construction.

The bad news is that bond rates may not be allowed to fall as soon or as rapidly as might originally have been hoped.

"In short, if you are in property you are protected against inflation by the escalating value of your home.

By JOSHUA RABOROKO

"The inflation rate has crept up to the 15 percent level again, paralleling almost exactly the expected rise in house prices this year," he notes.

Demand

Another interesting trend at the moment is that the gap between the prices of existing and newly built homes appears to be closing, hinting at the beginning of a strong resurgence of the market.

Traditionally, there is up to a 30 percent gap between existing and new home prices, says McRae.

"The latest figures supplied by one of the

residential buildings, the general trend is upward, also confirming the continued buoyancy of the residential market.

by 16 percent. There would appear to be some slowing down of the boom enjoyed at the upper end of the market while the lower end is showing considerable vigour, reflecting, perhaps, some of the effects of the scrapping of the Group Areas Act.

Increased

During the first quarter of 1991 the average price of a medium-sized house increased by 13 percent, larger house by nine percent and a smaller home

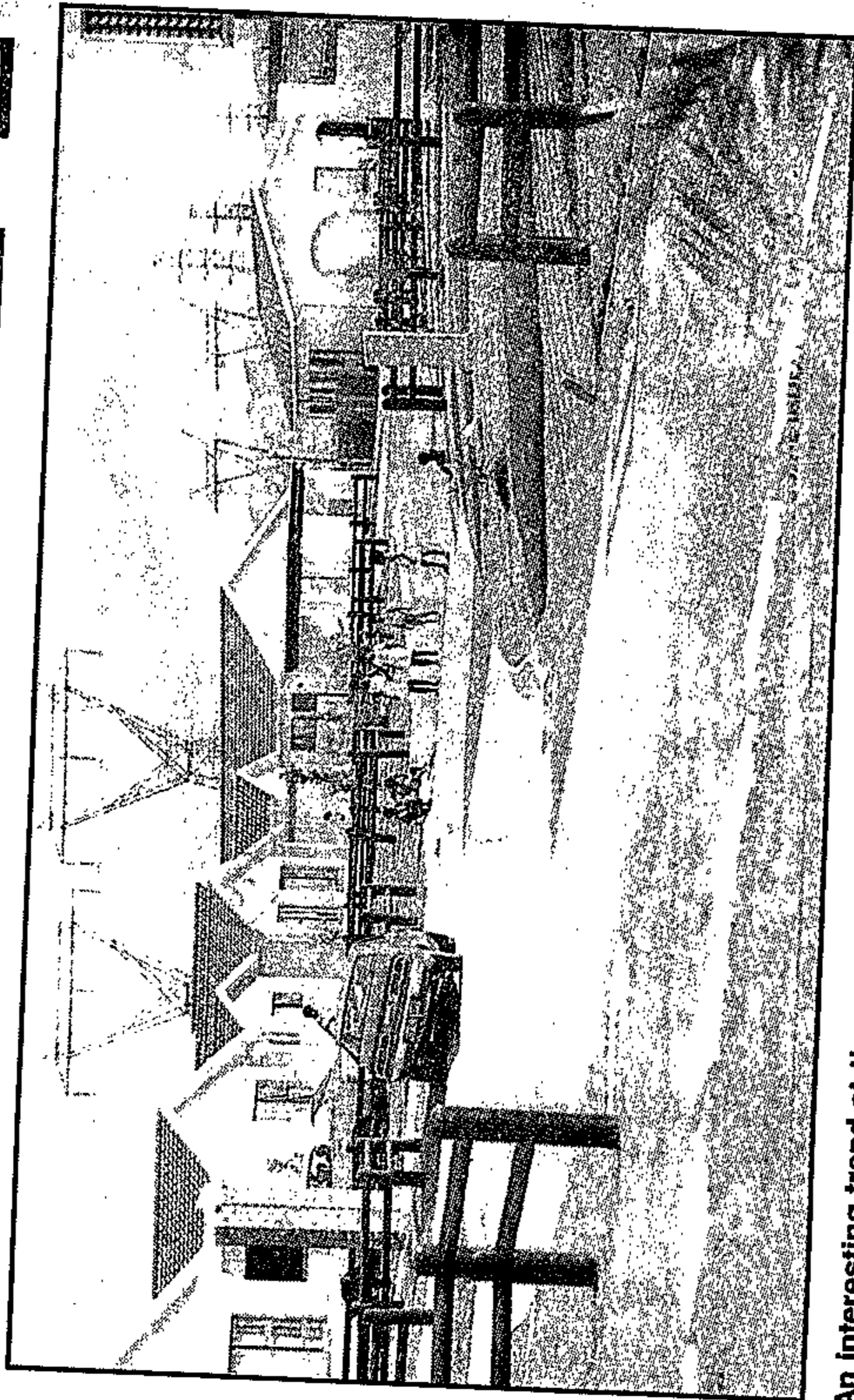
price, medium-sized homes R111 000 and larger homes R155 000.

Factor

The critical factor is relative affordability, says McRae.

Nominal mortgage payments on a 20-year R89 000 bond amounted to R1 564 in the first quarter of 1991.

He says overseas in-



vestors have re-appeared on the South African property scene and although few are buying at the moment, many are in the country on reconnaissance missions into the viability of local property.

He predicts that the next upturn of the economy is expected early next year and the property market's recovery can be expected some months before.

An interesting trend at the moment is that the gap between the prices of existing and newly-built homes appears to be closing, hinting at the beginning of a strong resurgence of the market.

Committee established to focus on crisis at hostels

By Brian Sokutu ^{Star} 2/8/91

Leaders from extra-parliamentary organisations, business and the Government yesterday agreed on the setting up of a permanent steering committee to address the country's hostel problems.

The meeting, held in Johannesburg and attended by more than 80 representatives from the ANC, PAC and other political organisations, is believed to be the first at high level since the outbreak of violence at Reef township hostels.

The Development Bank of Southern Africa (DBSA) and the Independent Development Trust

(IDT), which organised the seminar, will liaise with extra-parliamentary organisations and the Government over proposals on hostels.

Among the delegates were Thozamile Botha, head of ANC's local government department; Moses Mayekiso, trade unionist and SACP executive member, and Kagi-so Trust national director Eric Molobi.

An estimated 1 million migrant workers from Ciskei, Transkei, Natal and southern African countries lived in 220 hostels countrywide, IDT chief executive Jan Steyn told the seminar.

The IDT and the DBSA had received many ap-

plications for assistance in upgrading hostels.

"We both realised, however, that to rush into ad hoc responses that cannot be sustained on a national basis would compound rather than solve problems.

"After sounding out the different organisations and interests represented here, we felt that a preliminary discussion of the subject should take place. The objective would be to seek a broad-based consensus on how a process through which an acceptable and sustainable outcome could be obtained."

Steps taken so far to upgrade hostels were inadequate.

Ceiling raised on low-cost housing loans

(123) 012/8/91

By AUDREY DANGELO
Business Editor

THE upper limit for mortgage loans for low-cost housing secured by the Loan Guarantee Fund has been raised from R35 000 to R43 000. And the maximum price for properties bought with the loans has been raised from R45 000 to R47 000.

Announcing the change yesterday Matthew Nell, MD of the residential division of the Urban Foundation, said that although house prices had been pushed up by inflation the main reason for the rise was the expected impact of value added tax (VAT).

He said the ceiling for loans guaranteed by the fund and the maximum price for houses would now be reviewed every six months.

Many developers and building societies have withdrawn from the low-

cost black housing market because of violence and bond repayment boycotts.

In a statement announcing the higher loans now available, Mike Rosholt, chairman of the non-profit-making Home Loan Guarantee Co, and Tim Hart, executive director of the Association of Mortgage Lenders, said: "While the granting of loans in the below R35 000 market segment had been showing signs of improvement, it is indeed below that anticipated when the initiative was announced."

The first housing loans under which lenders were guaranteed 65% of the price by the Home Loan Guarantee company were issued in November. Between then and the end of June this year 1 570 loans had been granted and insured to buy homes worth a total of R47,44m.

Nell said the number of applications had increased steadily each month.

"But confidence has been damaged so badly by the violence and unrest that we are having to redevelop that whole market sector.

"There will be no question of a sudden surge in the number of loans granted and houses built once violence has died down completely.

"We are talking about having to reconstruct that sector of the housing market completely. There will have to be a lot of inter-action between the community, developers and mortgage lenders before we can really get this off the ground."

Nell said, however, that he was confident developers who had burned their fingers would return to the market. "I think they will re-evaluate the situation with a great deal of cynicism. They will come back with a great deal more caution and awareness of the risk."

The Loan Guarantee initiative was launched in 1989 by the Urban Foundation and the Association of Mortgage Lenders with a consortium of insurers led by Mutual and Federal.

It provided loan guarantees to mortgage lenders which reduced their risk from the traditional 80% or 90% to 65% of the value of the property.

A special R20m Loan Guarantee Fund — supported by R8m from the British, German and Swiss governments and by two Japanese groupings, together with R12m worth of interest free loans from the SA private sector — was set up.

The Home Loan Guarantee Co was set up to administer the fund and to offer a limited annual indemnity to insurers providing for claims from mortgage lenders arising from losses on sales of repossessed houses.

R2,84bn needed to replace hostels

JOHANNESBURG. — A R2,84-billion state subsidy would be needed if South Africa's migrant labour hostels were to be demolished immediately and the more than one million residents accommodated in site-and-service schemes along the lines of the Independent Development Trust's capital subsidy schemes. (123) ET 2/8/91

This is according to a discussion document presenting an overview of hostels in the country, which was compiled by Prof Dan Smit, Professor in Architecture and Allied Disciplines at the University of Natal.

"This amount, it should be noted, is nearly three times bigger than the 1990 national budget for black housing of approximately R1 billion and four times the Independent Trust's R750 million capital subsidy allocation."

He said the capital requirements for upgrading hostels would vary between R1,5 billion and R5 billion, or R2 000 to R5 000 per bed, depending on the number of hostel-dwellers needing family accommodation and the level of the upgrading.

The paper suggested there was no "quick fix" to the hostel issue. — Sapa

RESIDENTIAL

FM 2/8/91

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No sign of an upturn

Those who were hoping that the scrapping of the Group Areas Act and lifting of sanctions would herald a fillip in the residential property market have been sorely disappointed.

Inflation and high interest rates, the deteriorating security situation and rising unemployment are all taking their toll on the market. House prices are down in real terms as repossessions climb.

The market is extremely volatile: it is said to respond almost immediately to any negative political or economic news. So much so that estate agents already report a drop in buyer interest since the Inkatha funds scandal broke a fortnight ago.

There is much talk of an imminent economic recovery (the JSE already seems to be discounting one starting next year) but it is clearly going to be a while before house prices start hitting new highs.

An indication of just how flat the market has been comes from Aida Geffen who points out that house price increases in Johannesburg's northern, eastern and western suburbs have declined since 1989. In the four months to June this year they rose just 2%. Last year they rose 9% over the same period and in the previous year 30%. Nationally, she says, the decline was less steep but the trend the same. The increase in average house prices has declined from 9,3% to 8,1% and finally to 7,6% over a three-year period.

Geffen notes that there was a glimmer of optimism with the lifting of sanctions and normalisation of some of SA's international sporting ties but it flickered out when the Inkatha funds scandal broke. "There has already been a noticeable waning of interest by buyers. It's too soon to say whether the damage will be lasting."

Her views are endorsed by Mutual Mark's Graham Lesch who says that any spark of optimism from the easing sanctions and abolition of the Group Areas Act has been negated by the latest political developments. "Any statistical indication that house prices are rising is probably due to new house prices that are increasing as a function of building costs rather than market demand."

On the brighter side, residential developer Oswald Buchner notes that once confidence returns and interest rates fall, house prices could shoot up because of suppressed demand and the fact that increases have lagged those of new houses. He believes this is likely to happen sooner rather than later.

FNB's Pat Lamont confirms that the market is being artificially held back by tight monetary policy and high inflation. "This has undoubtedly affected investor confidence with the result that there will be a time lag before the economic benefits are reaped."

In the meantime, though, both owners and the lending institutions will have to weather the storm. The NBS, for example, noted in its annual report that repossessions on mortgages had almost doubled from R37m to R67m.

Allied's loan book remains at about last year's level (down in real terms) but lending manager Len Greenfield says repossessions are up by about 30%. They are apparently highest among black owners and lowest among Indians.

Even so, Lamont believes the repossessions should be seen in perspective. "Defaulting mortgage debtors that result in sales in execution are within the expectations considering the prevailing economic conditions," he observes. ■

Something new to learn every day in the property game

123
Star 3/8/91

THERE'S no substitute for real-life experience. The wisdom of this was underlined to me once again earlier this month when I put a property I purchased as an investment on the rental market.

After all, I've been saying for months now that I consider a second property to be a good investment. Although this is not the first time I have put a property on the market, either to sell or let, it was nevertheless once again an interesting experience.

It also served as a pointer to what people want when it comes to renting some kind of accommodation.

The property I purchased is in the northern suburbs in a new development. I bought for many reasons, as I consider the property market very attractive at its current levels.

Building costs

Also, with VAT coming in on September 30, it is bound to push up building costs considerably.

Other reasons why I think property is cheap right now include:

- The economy has most probably passed the lower turning point and a slow and gradual upturn can be expected from now on.

Some economists as well as the Minister of Finance, Mr Barend du Plessis, are expecting a growth rate of about 3 percent next year.

- Interest rates are unlikely to rise further and, depending on the inflation rate, could be down one or two percentage points before the end of the year. This is likely to boost interest in the residential property market.

Immigration

- Immigration figures indicate that South Africa is now once again attracting a net inflow of people. During the first quarter of the year the net gain was in excess of 3 000. Where are they going to stay?, I ask myself.

- The differential between building costs and second-hand prices is now more than 30 percent — historically very high. This gap is likely to narrow as new houses are made even more expensive by inflation and VAT.

- Foreign buyers, particularly from countries like Taiwan and Japan are already looking for investment opportunities in the property market.

Money Matters

MAGNUS HEYSTEK



But back to my house-letting exercise. I was once again astounded by the people-pulling power of The Star's classified ads. I had barely landed at the office when the phone started ringing, and it didn't stop ringing for days.

Questions

The questioning normally went like this:

(a) Is there a maid's room?

If the answer was yes, the next question was: (b) Any lock-up garages; (c) How large are the rooms; (d) How many bathrooms; (e) How much is the levy; (f) How far is the townhouse from on-ramps to the main highways; (g) Are animals allowed in the complex?

Many people did not pass (a). It seems that domestic help is still a very important factor in most people's lives. Second in importance are people's cars and then come bathrooms.

So, for other people considering investing in a second property as an investment this should serve as a guideline as to what the market mostly wants.

Black people, and there were several interested, were generally moving out of areas like Soweto and Hillbrow to better areas with better schools, less pollution and traffic. This was not an important factor amongst whites.

Security was also a major consideration for both race groups.

On average, white people were more concerned by the size of the rooms than black people. This reflects different backgrounds and different perceptions.

But the days of large rooms, unless one can afford them, are definitely over. Building costs are just too high for that.

At the end of the day I actually had to make a choice as to whom I was going to let the property.

But I remain confident that it will prove to be a good investment over time. But then again, only time will tell.

R200m lying fallow in deteriorating sites

(123)
ARW 3/2/91

MAGGIE ROWLEY

Business Staff

MORE than R200 million of government money is lying fallow in deteriorating serviced sites for low-cost housing as a direct result of a shift in state housing policy.

At least 20 000 serviced sites falling under the House of Representatives have been mothballed this year following the redirecting of housing funds to the Independent Development Trust, Mr John Hopkins, deputy-director of housing in the House of

Representatives, has said.

Most are in the Western and Eastern Cape.

Mr Hopkins said in the past, state funds for housing had been channelled through his department to local authorities who used it to service land expecting further funds to be provided for the development of superstructures or to launch self-help schemes.

"However there was an abrupt halt to funding at the beginning of this year and the allocation we received was greatly reduced.

"This has created a vacuum in the delivery of houses," he said.

He said they had submitted various proposals to central government on how funding could be raised to provide superstructures of some sort for these sites but they were still awaiting a response.

The holding costs of the sites were astronomical, he said. "And the longer we have to hold on to them the more they will cost the buyer and the more they deteriorate."

Some of the serviced sites in metropolitan areas, particularly Cape Town, cost about R15 000 at least.

Limited state funds available were being used to provide mostly infrastructure and the private sector, par-

ticularly employers, would have to start playing a more important role in the provision of housing, he said.

"However, one problem in using private sector funding is that it makes housing unaffordable to low income groups for which this land has been earmarked," he said.

Mr Hopkins said standards imposed by local authorities for services were often very stringent pushing up the cost of sites.

"In future we may have to look at providing more basic services in the way of an access road and a water connection," he said.

Home-buyers fall prey to profiteers

123

ARG 3/8/91

Business Staff

LACK of understanding about home ownership has resulted in many new home buyers being exploited by those involved in the sale of properties, Mr Stan Elliot, regional manager (loans) of the SA Perm said this week.

Speaking at a function organised by the Concrete Masonry Association in Dwynefontein this week, he said the concept of home ownership was new to the low income sector of the market making them particularly vulnerable.

He highlighted the case of a widow who recently bought a house for cash from a man who had been financed by a financial institution. She lost both the house and her money because she was unaware of the need to obtain a receipt, to register the transaction or that there was a bond on the property.

Cases had also come to light where contract or selling prices were manipulated upwards to meet the maximum bond the prospective purchaser would qualify for, he said.

Mr John Hopkins, deputy director of housing in the House of Representatives, said that he had also heard of cases where people had sold their homes for cash to unsuspecting purchasers without providing receipt or documentation and then disappearing with the money.

"As bond instalments fall into arrears the financial institutions have no choice but to foreclose on the sale," he said.

Mr Elliot said that while financial institutions had developed income criteria to limit their risks, efforts were often made by buyers to ensure that the financial requirements were met in one way or another.

"Stated incomes are falsified sometimes by the agent and we have even heard of instances where false certified financial statements are supplied on payment of a fee.

"The borrower is the one who has to carry the burden of making repayments which he cannot afford."

Don't rush, would-be home buyers warned

Star 6/8/91

By John Miller
Star Line

Inland Revenue has warned would-be home buyers not to allow themselves to be pressured into buying a house before the end of September.

Trevor van Heerden, chief director of tax policy development, said buyers should rather take their time and not pay a possible 10 percent more for a house in order to save less than 1 percent of its value.

VAT is payable only on the estate agent's fee which is normally about 6 percent of the purchase price, and this tax must be paid by the seller.

"Private sales are not taxable because the seller is not a vendor. However, VAT is applicable on the estate agent's fee.

"On a house of R100 000 the estate agent's fee is normally

THE STAR
VAT
WATCH



about 6 percent which equals R6 000 and VAT on this amount works out to R720 — 0,72 percent of R100 000."

He said there was also no tax on transfer duties on houses bought on sectional title.

"Technically there could however be a slight increase in the selling price because of VAT on the estate agent's commission.

"Therefore the seller might push up his price to compensate for the tax he will have to pay the agent."

A spokesman for the Estate Agents Board said even though it was not in favour of VAT, the public had to be aware of their rights and the Government must make the effort to advise people about the new tax.

The spokesman said that to date the board had not received any complaints of agents trying to pressure people into buying a house before VAT is introduced.

If a person has a complaint, he or she must send it in writing along with an affidavit to The Manager, Estate Agents Board, Private Bag X10, Benmore 2010.

The spokesman said one of the most common complaints from the public was that estate agents did not disclose all the facts regarding the house and whether there was a double commission claim when the buyer was forced to work through two estate agents.

27/6/81
**Ministers agree
to hostel talks**

PRETORIA. — Law and Order Minister Mr Adriaan Vlok and Minister of National Health Dr Rina Venter yesterday agreed to discuss any future plans for hostels and their inmates with the SA Hostel Dwellers' Association.

According to a statement released here after a meeting between the hostels organisation and the ministers, Saha said it felt past decisions affecting hostel dwellers had been taken without residents being consulted. — Sapa (123)

High mortgage rates are blamed for downtrend

8/18/91

123

THE residential construction market is in dire straits in spite of booming prices of existing houses in white suburbia, says Erwin Rode, editor of the *Rode* report on the SA Propert Market, in his latest report.

"This is because of the high mortgage rates in the case of custom-built market, and the collapse of the social fabric in the black townships.

"The only sub-sector which is still doing well is townhouse construction. But this is because of a secular trend towards this type of accomodation, which partially insures these builders against the downswing of the business cycle.

"It is a sobering thought that, at the end of last year, only 2 000 homes were started every month. Considering the

backlogs and ever-growing need, this is just not good enough," Rode adds.

The non-residential construction industry is still relatively healthy.

According to the report, contract prices of non-residential construction, as measured by the BER Building Cost Index, surprised everybody in the first quarter of 1991 by again accelerating to above 15 percent.

"It is too early to say that this one quarter's results herald a turnaround in the growth trend. But it nevertheless

does illustrate that the growth in contract prices is not declining precipitously," he said.

In contrast to non-residential building costs, home building costs were still decelerating at the end of 1990. This applied to both custom-built homes and mass housing schemes.

In December 1990, custom-built home building costs were about 13 percent higher compared with a year earlier, whereas scheme building costs were running at only 10 percent compared with a year earlier.

SOWETAN

Building the Nation

New home plan for the needy

CONVENTIONAL houses, which cost from around R35 000 upwards including the means of most people.

Everybody, however, needs a decent roof over his or her head. So in this article - which is the last in this series - we'll take a quick look at two of the cheaper options at present available.

One of these options is starter housing, which HOME ownership is not a privilege. It is a just reward for hard work and perseverance. But how do you set about buying ground then financing, building and maintaining a home? Join us every Thursday to learn the answers. And if you still have any questions, write to Jacky, PO Box 260835, Excom 2023.

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costs less than conventional housing, and actually gives you the opportunity of deciding just how little, or how much, you want to spend on both your land and house.

If you can afford to pay for a high level of land servicing, you will get a metered water connection to your house, water-borne sanitation and full electricity.

You will also enjoy amenities such as surfaced roads, stormwater drainage and public street lighting.

If you feel that this will be too costly, you could opt for a medium or low level of service.

A low level of service includes extra services such as electricity and surfaced roads.

When you buy a starter house, you can also choose how much you want to spend on the house itself.

Starter houses are designed to be built as economically as possible. But at any stage in the future, it's easy to enlarge and upgrade a starter house to suit your needs to or can afford to.

If you have been a regular reader of this series of articles, you will remember meeting Mandy and Joe, who once never dreamed that they would be able to start off married life in their own house.

But after a visit of FHA Homes, they learned that if they invested their savings of R1 500 in a deposit, they would be able to buy a starter house in Vosloorus.

Their monthly instalment would amount to just over R300 per month, which they could afford out of their combined earnings of R1 300.

What, however should you do if even a starter house is too expensive for you?

At last, thanks to you, a new programme administered by The Independent Development Trust, your troubles may soon be over.

If you earn less than R1 000 a month, you will soon be able to apply for an affordable, subsidised stand in a convenient, newly laid-out township.

These stands will be worth about R7 500 each. But if your application is successful, it will cost you more than a few hundred rand to get the stand transferred into your name.

Once this has been done, you will be free to build and live in your own house or shack on your own ground without fear of loss of eviction.

Later, as life improves, you may want to replace your informal accommodation with a permanent, conventional house.

The choice will be yours.

To be eligible for a stand, you must earn less than R1 000 per month, be a first-time property owner, be over 21 years of age, have dependents living with you and not have family access to any other State housing subsidy.

The new townships created through this scheme will bring new hope and dignity to the lives of thousands of people.

They will be clean, serviced, safe and well laid out.

And most important, they will give you the opportunity of building a secure, healthy future for your family and yourself.

FHA Homes, who have had wide experience in the development of new areas, have applied to take part in this venture.

If their applications are successful, they intend to start work in August this year.



Martin Mooli stands beside the Hydratom M3 machine which manufactures clay bricks. In the background is one of the clay brick houses built in Doornkop, outside Dobsonville.

123

Sowetan 8/8/91

Trust turns down Cape Town council

CAPE TOWN.—The Cape Town City Council's application to the Independent Development Trust (IDT) for nearly R8m has been turned down.

At the end of May the council applied for a grant of R7,95m for the development of 1 060 unserviced plots in Lavender Hill East.

IDT housing director Ben van der Ross responded in a letter that his board of trustees had met on July 19

Own Correspondent

to select applications. (123) (27) He said there were 404 applications representing 640 000 sites competing for the 100 000 available subsidies and many had to be turned down.

...However, the council's application would be retained on file and it would be able to reapply if more funds became available.

13/0 Aug 9/8/91

R7,44 billion.

The R100 000 house is becoming rarer by the day

Stc 10/8/91

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IT will soon be impossible to buy even the smallest house for under R100 000 anywhere in the major cities.

The quarterly housing review of the United shows clearly that with perhaps the exception of some smaller towns in rural areas, the R100 000 barrier in house prices will be breached in the current quarter.

In the second quarter of 1991 the average price of a small house (113sq.m) countrywide rose

the price of small, medium and large houses at the end of June averaging R121 540, R152 555 and R198 040 respectively.

The change in average house prices countrywide during the second quarter of 1991 reveals some interesting aspects.

On a national level small houses increased in price by 15 percent (on an annualised basis), medium-sized houses by 13 percent and large houses by 9 percent.

by 15 percent on an annualised basis to R98 300, according to figures just released by the United, SA's largest provider of home mortgage finance.

Medium sized houses (177sq.m) now cost R116 400 on average while a large house (265sq.m) costs R158 000 on average.

House prices in the Johannesburg area are significantly higher than the national averages with

In Johannesburg the swing to medium and smaller houses were even more pronounced with increases of 15, 13 and 2 percent respectively.

In the 'Rest of Transvaal', prices of large houses actually decreased by 4 percent in nominal terms as people scaled down their accommodation standards.

However, in the Free State and Northern Cape large houses were fetching 25 percent more at R125 586.

In the second quarter house prices in the Durban/Pinetown area as well as the rest of Natal recorded the largest percentage increases in prices.

In Durban/Pinetown prices for small, medium and large houses rose by 21, 31 and 8 percent respectively. A spokesman for the United pointed out that these increases were off low levels.

In the previous year prices were depressed as a result of the violence in Natal.

Housing market will soon regain sparkle

Star 10/8/91

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HOUSE prices can be expected to increase by about 14 percent during 1991, says the United in its latest housing survey.

Although the housing market is expected to remain under pressure for the remainder of the year, the outlook for the residential property market is improving in the light of higher economic growth next year, a decline in mortgage rates as well as a net inflow of immigrants to South Africa.

"With the economic downswing expected to continue throughout the remainder of the year and with the authorities becoming increasingly adamant on keeping interest rates positive in real terms by a substantial margin, the housing market is likely to remain under pressure," the survey says.

Interest rates

Interest rates are likely to be maintained at current levels for some time to come and a lowering in the Bank rate is only foreseen for the first quarter of 1992 with the result that the mortgage rate will remain positive in real terms well into the foreseeable future.

However, United economist Christo Luus, is modestly optimistic that the residential property market is set for a recovery in prices at the first sign of an economic revival.

In real terms residential property prices have been declining since the end of 1983 and are currently lower than they were in real terms at the beginning of 1980.

However, this is in line with aggregate economic growth recorded over the same period.

It's interesting to note that the affordability of housing im-

MAGNUS HEYSTEK
Finance Editor

proved again during the second quarter of the year.

This affordability is expressed as a ratio of average house prices to remuneration levels. This ratio has been declining constantly since the peak of the property market in 1983 when it stood at around 140. Now it is down to just below 70.

However, this ratio does not take into account the effect of higher personal taxes on disposable income.

Mr Luus's optimistic views on the residential property market is influenced by factors like the prospects for higher economic growth next year, a drop in the mortgage rate following on possibly more than one drop in the bank rate and a net inflow of people.

"The economy is set for some higher growth next year. This will reduce unemployment while people can look forward to higher wages and salaries.

Also, it should be taken into account that South Africa is once again experiencing a net inflow of immigrants. The outflow of about 30 000 people during 1985/86 has almost been totally wiped out since," he said.

The price differential between new and second-hand houses shrunk somewhat to about 19 percent during the second quarter of this year, significantly down from 30 percent last year.

However, this gap is set to widen again with the introduction of VAT at the end of September. Based on past experience, this should prove to be a boost to prices in the so-called second-hand market.

Other sources also indicate that the residential property market, particularly in certain



areas, has held up remarkably well despite the severity of the economic recession.

Whilst volumes are down prices have kept up well and in certain cases show above-inflation rate increases. This augurs well for next year when the economy is expected to grow by

anything between two and four percent, depending on world economic growth.

Although the scrapping of the Group Areas Act from the beginning of last month has not had a dramatic impact on property prices, estate agents are reporting a steady stream of in-

quiries from black buyers. This is helping to support prices.

For people struggling to hold on to their homes, the message is clear: try and hold out for another couple of months. Now is not the time to be selling. For those looking for a house, get in now.

14pc hike seen for house prices in '91

MAGGIE ROWLEY (123) ARQ 13/8/91
Deputy Business Editor

UBS, the largest provider of home finance, forecasts a 14 percent increase in house prices during 1991 and says that the housing market is likely to remain under pressure due to the expected continuation of the economic downswing this year and the authorities' commitment to keeping interest rates positive in real terms by a substantial margin.

The increase in the price of an average new small house in the Western Cape tapered off slightly to notch up a four percent in-

crease in the second quarter of this year, according to the United Building Society's quarterly housing review.

On a year on year basis, prices of new small houses (111m²) in the Western Cape have shown a 22 percent increase to R20 174. The average price of older small houses rose to R104 532 bringing the average price of small houses in the area to R106 276, well in excess of the national average of R98 300.

Medium-sized new houses (172m²) have shown a quarterly increase of three percent to

R187 678 and a total annualised increase of 12 percent. Older medium sized houses averaged R133 993 bringing the average price of a medium size home to R134 994 against the national average of R116 400.

The annualised increase in large homes in the Western Cape was lower at 10 percent with a three percent increase being recorded in the past quarter. New large homes (262m²) average R261 573 with older homes fetching an average R185 727 to bring the average cost of a home in this category to R192 875 against the R158 000 national average.

Risks halt township housing

POLITICAL and financial risks associated with township development continued to keep mortgage lenders and developers out of low-cost housing, spokesmen for the sector said yesterday.

Although the unrest which brought the provision of low-cost housing to a virtual halt earlier this year had abated, most banks and building societies were staying out of the market because of fears of political risk and non-repayment.

A major deterrent had been the refusal to move out of homes which had been repossessed, a bank spokesman said yesterday. He said only two or three financial institutions continued to provide financing in the lower end of the market.

This shortage of funds, in turn, hampered developers. Schachat Homes Group MD Hilton Katz said it was still difficult to attract mortgage loans for homes valued at below R50 000. When funding was available, limited demand kept developers' activities to a minimum.

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LESLEY LAMBERT

"The market has worsened consistently over the past 18 months because of political risk and economic hardship and is almost at a standstill now," he said.

Urban Foundation housing MD Matthew Nell said the foundation's funding sources had dried up in all areas other than Natal, the Highveld, Bloemfontein and, to a lesser extent, the PWV. He said it had become even more difficult to secure funds for homes valued above R40 000, largely because the Home Loan Guarantee Fund placed an upper limit of R43 000 on the bonds it guaranteed.

Although the Urban Foundation's housing utilities were selling about 200 to 300 homes a month, this represented a "substantial" decline on the number it provided 18 months ago.

Activation of the Independent Development Trust's (IDT) capital subsidy scheme

□ To Page 2

Housing

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later this year will boost the provision of serviced sites and, over a period of time, reduce the massive backlog. But its emphasis on serviced sites, rather than conventional houses, will stimulate the civil engineering rather than the home building sector.

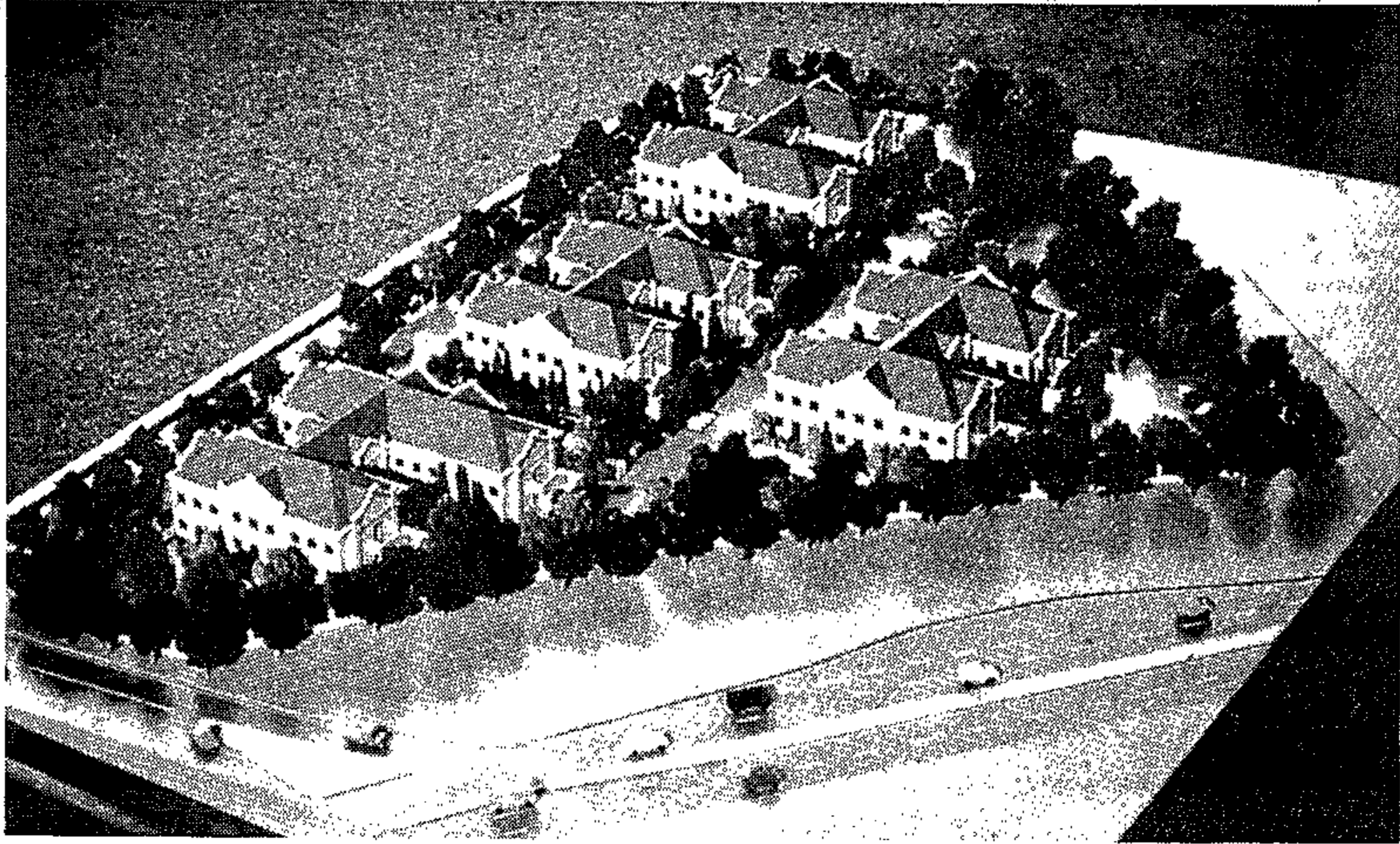
Efforts are being made to try to improve conditions in the low-cost housing market. The home building industry is trying to resolve the problems of financial institutions in discussions with local authorities and the Association of Mortgage Lenders,

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□ From Page 1

while financial institutions are considering ways of reducing risks.

Neil said three major issues needed to be addressed before the market improved: the risks faced by financial institutions; the affordability level of prospective homeowners; and the operation of the new non-racial urban housing market.

"The environment is looking more positive now than it did six months ago, but the simultaneous resolution of all these issues will need a well thought out plan agreed on by all participants in the process."



A model of the R17m Morning View Office Park development in Sandton.

Time Housing works on two homes projects

TIME Housing is involved in two new housing developments — one in Richards Bay for Transnet and the other in the Cape Flats.

Time Housing recently completed an agreement with Transnet to develop a personalised suburb for people employed by the transport organisation in Richards Bay.

The suburb, which will consist of 80 houses, will be known as Jabulani Park and will be in Esikhawini. Time Housing regional director Tim Mitchell said the Transnet employees would be offered 15 home designs from which to choose.

"We have undertaken to provide a children's playground on a centrally situated park site in the suburb.

In addition, Time will ensure that there is no stereotyping in roof lines, house designs and colours," he added.

About 400 people will be housed in the 80 homes, which will be bought with assistance from Transnet. The homes will sell at between R60 000 and R70 000.

Construction on the houses is scheduled to begin in August, with all 80 units ready for occupation in December. As Transnet owned a lot of land in the area, there would be further development.

Time is also developing two townships in the Cape Flats — Westgate and Hyde Park — adjacent to the R74m Westgate Mall shopping centre, which is scheduled to open in October.

"We hope this will be among the first new areas in SA to attract residents of all races. Houses are being built to individual requirements and will cost about R60 000," Time regional director Mike Hilton said.

The average site in Hyde Park is 280m², while the Westgate township average is 320m².

Westgate and Hyde Park

are situated on the main road between Milnerton and Strandfontein and are about 10 minutes drive from Wynberg and 20 minutes from Cape Town.

Westgate Mall, covering 30 000m², is 70% let and has parking for more than 1 600 cars. In addition to major national chains and small shops, there will be four cinemas.

SOWETAN
Building the Nation

DOOR TO DOOR

Property auctions

may gain favour

Sowetan
15/8/91

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By JOSHUA RABOROKO

SALES of residential property by auction will gain in popularity in response to changing market sentiment, says group managing director of Camdon Mr Scott McRae.

He says until now auctions have been relegated mainly to the disposal of deceased estates.

The market is now ripe to bring auctions into the sales of process up front.

Worldwide the auction method of sales is by far the preferred technique, he says.

"There is a 90 percent success rate for properties brought to market by auction in Brisbane, Australia, for instance - compared with only 30 percent successful sales by conventional means in South Africa at the moment.

The auction method is also rapidly growing in the United Kingdom. "The South African market is very similar to these and other parts of the world where auction selling is the more understood," he adds.

He believes the auction works for both parties. "The seller gets a market-related price and the buyer knows he is not over-paying relative to the market value of the property.

A major attribute of the method is that it works fast. This is particularly relevant in the current market where the length of time to a successful sale is getting longer.

The traditional methods of property selling are still effective. However, his view is that the auction is the most effective method of determining the true market value of a given property.

And once an auctioned property is sold, it stays sold, as the buyer is committed.

Often a sale is concluded before the auction. The very fact placing a property on auction spurs buyers. The seller has the assurance that if the auction price does not meet the reserve price, he may withdraw the property.

The auction method removes the price objection to the sale and creates competition, he says.

"The auction method of selling converts property into the most money in the shortest period of time.

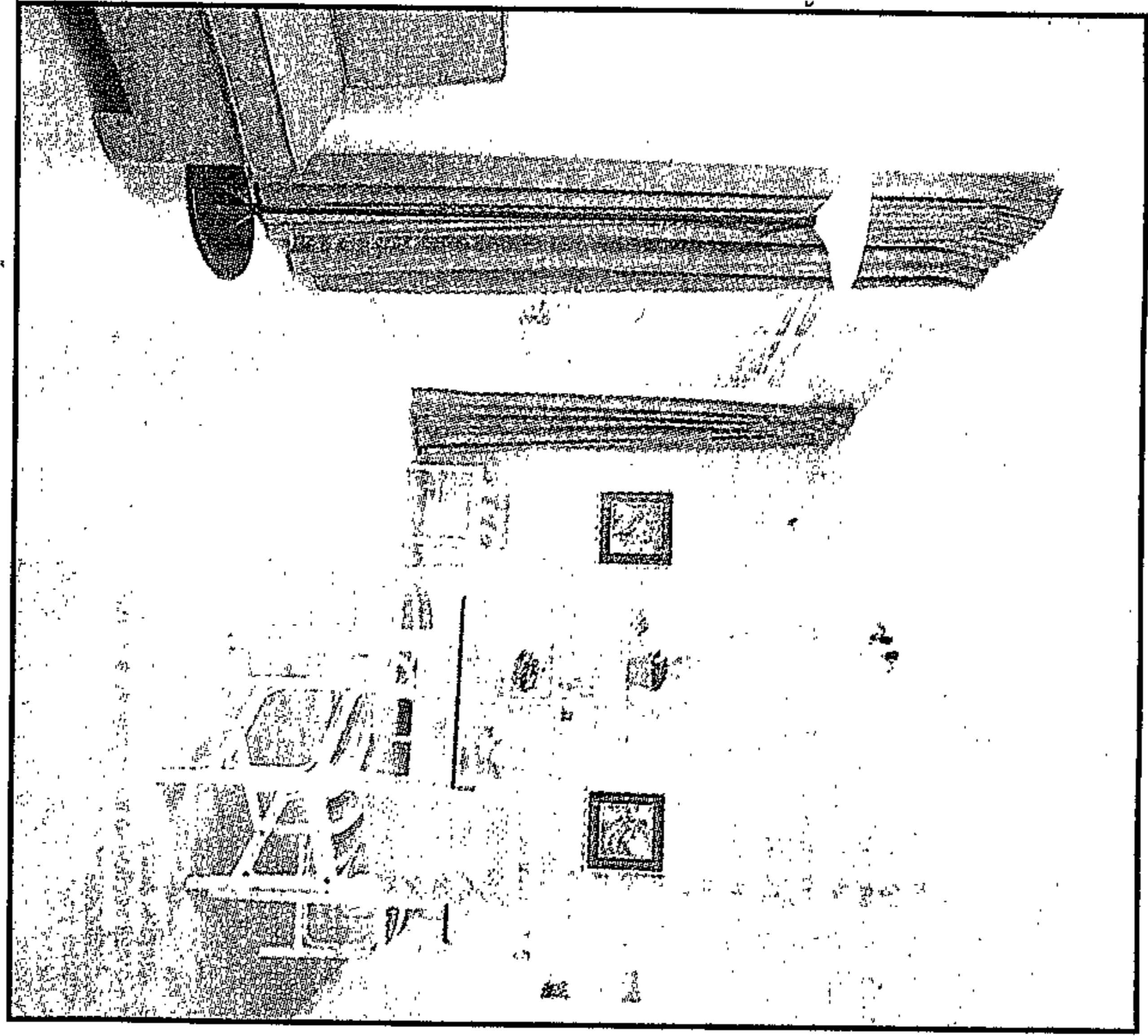
"The prices which the public are asked to pay are the highest prices which those who bid can be tempted to offer by the skill and tact of the auctioneer under the excitement of open competition.

The buyer, on the other hand, is assured that the property is genuinely up for sale and that the price he is paying is an accurate reflection of what the market is prepared to pay.

South Africans are ready for a new approach to property marketing. The auction method is fast and simple. Auctions held by Camdons have proved highly successful.

The issue of the auction method of sale came up prominently at the recent Camdons' management conference, he says.

It was apparent from feedback at the conference that the auction method of sale is beginning to come to the fore as an alternative sales approach.



Bid to break ^{(123) ARG 17/8/91} low cost housing deadlock

A GROUP of informal shelter housing manufacturers has launched a national association aimed at playing a leading role in breaking South Africa's low cost housing deadlock.

The association was initiated this week by nine manufacturers of housing units in the Transvaal which have a total of more than 150 years in the prefabricated housing industry.

A spokesman for the association, Mr Peter Distin, said similar reputable manufacturers elsewhere in the country were being encouraged to join so as the organisation would have the necessary clout to form a powerful lobby group.

"We believe we hold the key to

MAGGIE ROWLEY

Deputy Business Editor

solving the immediate shelter housing crisis and in time will be seeking a meeting with the Minister of Housing and other authorities.

"While we have a vast tide of black people moving into the cities and setting up squatter camps, there is no way that the more conventional housing methods can cope with this demand. The capital requirements are too high and the building times too slow," he said.

"Our problem has been to convince people in authority that manufactured housing units, costing a fraction of conventional systems, are the short to medium-term solu-

tion to the shelter housing backlog.

"We intend through this association to promote a positive attitude to the alternative building systems which our members have to offer."

Mr Distin said while there had been hesitancy to alternative housing solutions in the past, this attitude now appeared to be changing and they had held preliminary meetings with the South African Housing Trust and the Independent Development Trust.

"There appears to be a growing acceptance that the priority should be to provide secure, weatherproof transitional housing which will be good for many years to come and which people can improve as their own circumstances improve."

World Bank report takes government to task

Financing black services a 'hopeless task'

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CLAIRE GEBHARDT

Weekend Argus Correspondent

THE government's commitment to the financing of services in the townships is a "hopeless task" which is beginning to affect the economy as a whole and could exacerbate inflationary pressures, says the World Bank.

This week's near collapse of services in Greater Soweto highlighted the fact that a 50percent subsidy from the Transvaal Provincial Administration (TPA) is like putting a finger in a crumbling dyke — it won't work.

Given that residents contribute only 20percent (if everyone pays), this still leaves a 30percent shortfall and government cannot afford to step into the breach.

The World Bank mission, in its first report on the South African economy, noted that Central government is progressively being forced to increase its role as "deficit financier" of black local authorities (BLA), TBVC countries, and self-governing territories (SGT).

And it warns that the linkage of the "bridge-financing" to overdraft facilities of commercial banks, guaranteed by the Central Reserve, has the potential to destabilising the macro-economy and create inflationary pressures through an increase in the monetary base.

"Bridging finance has contributed substantially the deficit of the central government -

18percent in 1989/90 -and in terms of the net savings in the economy represents a large leakage into current consumption."

In 1989/90 black local authorities (BLA) represented 34percent of the total bridging finance and have been growing at an average rate of 20percent per annum since 1986/87, says the World Bank report.

"Black local authorities are not financially viable because, until recently, apartheid laws did not allow development of the small businesses and retail outlets common in white suburban towns."

Inadequate funds for maintenance and population densities well in excess of infrastructure capacity have been compounded by the lack of community support manifested through non-payment of rents and fees and sabotage of facilities.

The World Bank says bridging loans from Central government and RSC's are currently being used to cover operating deficits, reducing funds available for capital investment."

It details that in 1990/91 the central Wits RSC's support to greater Soweto and Alexandra is expected to exceed R150million.

The TPA has budgeted for R428million for bridging finance during 1991.

In its report the World Bank also urged a rethink on the proposed Independent Development Trust (IDT) housing capital subsidy.

It suggests, in the light of international experience, that capital subsidies paid directly

to beneficiaries are more successful than schemes which channel subsidies through developers, as is the case with the IDT.

It also calls for a broader subsidy scheme to be implemented saying standards associated with the IDT plan are too high.

Chile has the best designed scheme with capital subsidies paid directly to beneficiaries combined with competitive government tendering for low-cost housing, it says.

"Recipients were able to exercise great freedom of choice among different products and locations and developers were forced to compete in order to receive the negotiable subsidy certificates issued to beneficiaries.

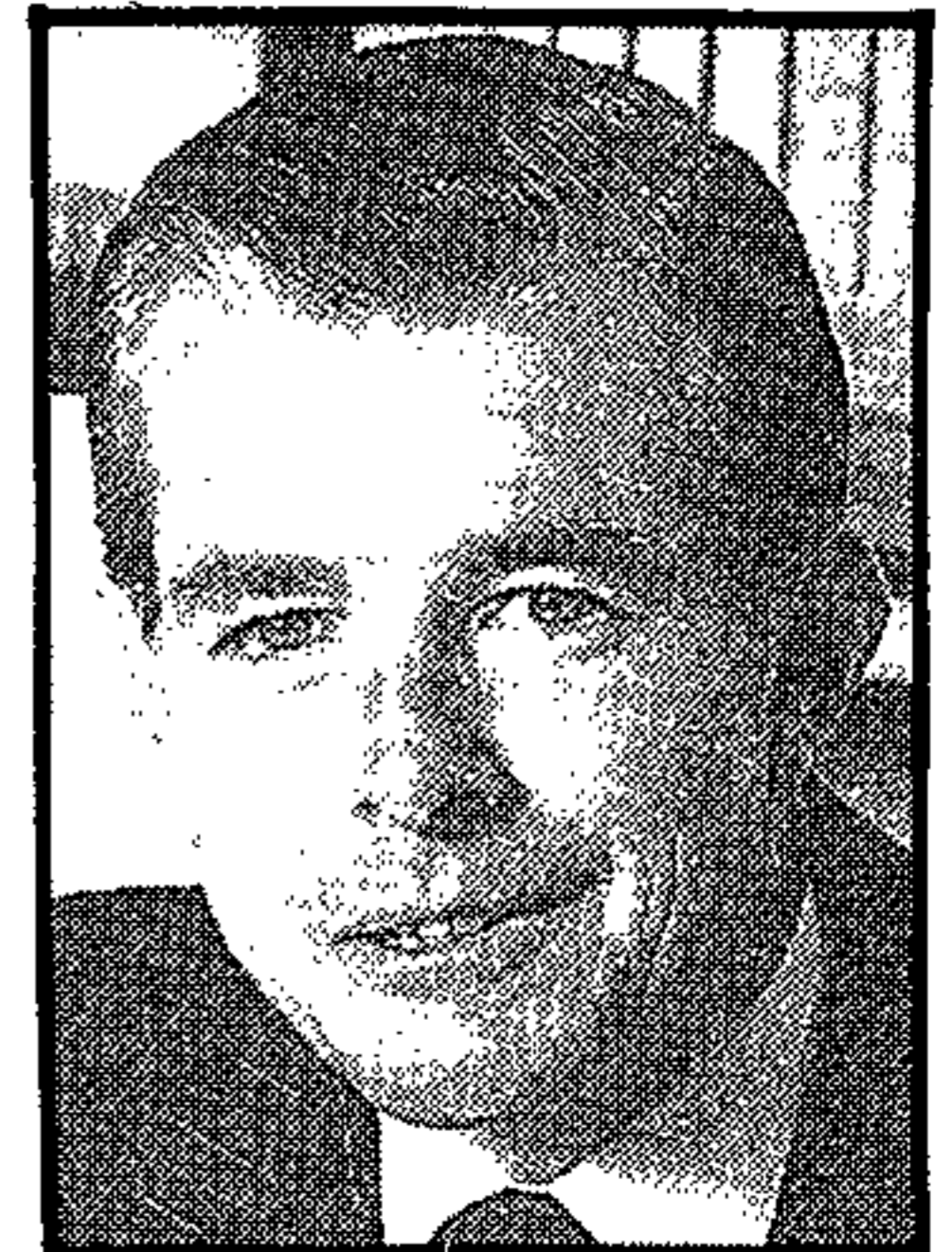
"This resulted in vigorous competition on both the supply and demand sides of the housing market."

IDT spokesman Jolyon Nuttall says they have taken note of the World Bank recommendations but are not re-thinking their capital subsidy programme.

The once-off R750million capital subsidy scheme will soon become a reality for nearly 100 000 of South Africa's poorest families, he says.

Developers service sites with basic sewerage and street lights and would-be-owners then apply to the developer for a stand to which an IDT subsidy of R7500 is attached, says Mr Nuttall.

He confirms that the beneficiary does not get the money directly because the developer



□ IDT's Jolyon Nuttall: Subsidies are not too high

is paid back from the subsidy for the investment made in servicing the site.

"If the developer is successful in containing the cost of a particular project, the money saved does not go back to the owner but is retained by the developer for the further development of the whole project - by agreement with the community."

Commentators believe this forms the basis of the World Bank criticism as it leaves the door open for some of the money to be misallocated instead of being handed to the beneficiary for the further upgrading of his home.

Mr Nuttall says exhaustive research indicates that the size of the subsidy is not too high given the standard of the services specified and the impact of inflation two years down the line.

ANC, hostel dwellers must be consulted over housing plans

(123) AUG 17/8/91

UNLESS bodies such as the ANC, Inkatha and hostel dwellers are consulted by professionals involved in the provision of housing, early dissatisfaction could lead to truculence and further lack of direction, says Mike Osborne, chairman of the Planning Professions Forum.

The Forum comprises senior representatives from all the major professions dealing directly in land use and infrastructure and claims its pool of expertise is unrivalled on the African continent.

"As we look to the new South Africa, professionals involved in providing housing for South Africa's lowest income group must be pro-active in planning for the needs of the community — and not reactive," he says.

"It is essential that the community be thoroughly and timeously canvassed and involved at each stage of the development process."

He said in the past representative bodies had been neglected in the housing decision-making process.

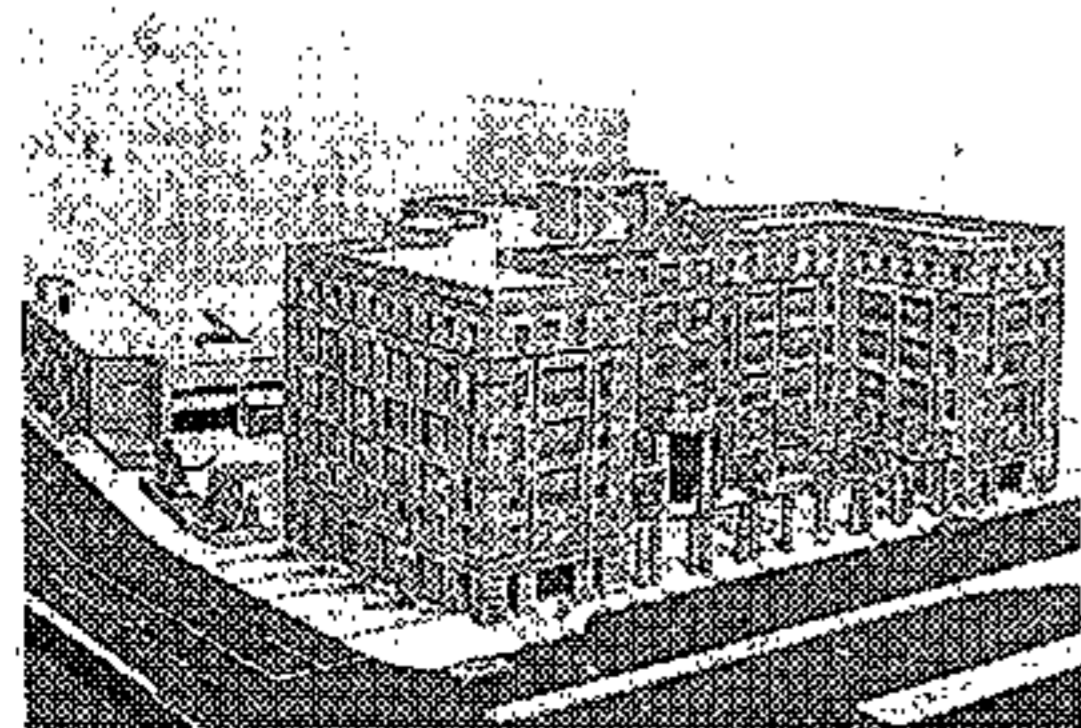
"A respect for the ordinary unsophisticated urbanite must form part of the decision makers ethos. Now is the time to consult the community, to go back to grass root discussion in order to help the people articulate their priorities and needs within the bounds of the possible."

"The task of professionals is now to convince the decision-makers that a new approach is imperative if a lasting foundation is to be achieved."

Blouberg development

A R1,6million property development consisting of 22 single residential plots to be sold on a plot and plan basis have been launched by Aska Property Group in Blouberg.

Tony Clarke, Aska sales director, said the properties, with prices ranging from R70 000 are immediately adjacent to Aska's West



A model of the six storey office block to be built in Voortrekker Road, Bellville by the Old Mutual. Tenders have been called with completion scheduled for the end of next year.

PROPERTY SCENE



Maggie Rowley

Beach development. Prices range from R70 000.

As part of a further development two large general residential erven will be sold as fully serviced plots for a total value of R1 075 000.

Computerised evaluation

A new computerised property valuation system, the Record of Property Price Register (RPPR), has been introduced to the Cape property market by a newly-formed company-Property Services CC.

Mr Rob McKee, Seeff residential general manager said the system would provide the "most accurate and acceptable" means of advising both buyers and sellers on the true value of any property by presenting them with current sales of comparative properties within the past month.

The system has already been introduced with great success in the Transvaal, where 90 percent of realtors are participating, he said.

"Up to now sellers in the Cape have had to rely on estimated values given them by estate agents when putting their homes on the market. Very often the advice supplied has been either a guesstimate or inaccurate because up-to-date information was not available. Returns from municipalities are often four months out of date or over enthusiastic agents encourage listing by influencing sellers with inflated valuations," he said.

"Most participants in the property market are guided by advertised

selling prices, which often have no bearing on what is eventually paid for the property leading to misinterpretation of true values."

Under the RPPR system sales statistics together with a prescribed formula describing the properties sold, will be accumulated on a monthly basis and released to participating realtors by the fifth of the following month.

A good time to buy

The buyers market has strengthened particularly for second hand homes, says Ronald Ennick a director of Pam Golding Properties.

"The market is now stabilising further decreases in prices are unlikely."

There is currently an abundance of good properties on the market with new homes commanding prices at a premium of 20 percent to 25 percent of those achieved for second-hand homes, he said.

Sage deal

Sage Properties had concluded a major lease with Comprehensive Property Services, the joint venture between NedPerm, NBS Bank, Standard Bank, FNB and EP building society — for the whole first floor of No 9 Bentley Office Park, in Rivonia.

MD of CPS, Stefan Swanepoel said the majority of their staff was expected to be trained up and operational by the end of the year. The CPS service will officially be available to estate agents and other interested property professionals from January 1991.

Lower building costs

A dry-stacking concrete block system which the developers claim could reduce overall construction costs by as much as 60 percent, has been launched by a new Cape Town based company, Linkbloc Investments.

MD Mr Frans Stander said the interlinking concrete blocks not only saved on mortar but also time and labour.

"It can be constructed by unskilled people at a much quicker time than conventional methods," he said.

He said they had already had plans for 70 houses passed with engineers' certificates by local authorities, including 20 homes in Springbok.

So far 14 blockmakers throughout the country and Namibia have been signed up on a franchise basis to manufacture the blocks on their behalf using Linkbloc moulds.

"We are aiming to sign up about 70 blockmakers in total with at least 30 by the end of this year."

"Most of these blockmakers carry SABS's stamp of approval and those that don't have been given two years to do so," he said.

Mr Stander said there was a huge export potential for the system and they had been invited to Yugoslavia next month to demonstrate it.

"A company in Israel has also expressed interest in buying the patent and we have had inquiries from Canada and Australia," he said.

He estimates that in the first year of production South African royalties should be worth R20 million, with a further R45 million coming from overseas.

In brief

■ Streams R E Consultants are running a workshop to prepare estate agents for the autioneering field. For details contact Robert Pitman at ☎ 419 4479 or ☎ 64 3680.

■ The Penny Pinchers building, on the corner of Montague Drive and Marconi Road, Montague Gardens, has been sold through the agency of Russell Marriott and Boyd Trust for R3 755 000. Buyers are the Tamboti Property Fund which have entered into a 10-year lease agreement with Penny Pinchers Holdings, giving an initial yield of 11,75 percent.

■ The Climag shopping centre in Main Road, Plumstead has been sold by Grant Price of Broll Real Estate for R800 000. Total size area was 1 051 m² and building area 616 m².

Serviced sites soon for tens of thousands

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Star 17/8/91

CAPE TOWN — Negotiations will be concluded within the next two to three weeks between the Independent Development Trust and the first developers to qualify under its R750 million once-off capital subsidy scheme, the trust said here yesterday.

The scheme will provide 99 800 people countrywide with serviced sites on which to erect dwellings.

Up to 700 000 people are expected to be accommodated at an average of seven per dwelling.

IDT communications director Jolyon Nuttall said that at a recent meeting in Cape Town, the trustees had approved, subject to further negotiations, 108 applicants for the R7 500-a-site programme.

Of the successful applications, 37 percent were from public authorities, 34 percent from community trusts, 20 percent from utility companies and 9 percent from private developers.

"Further negotiations are now taking place between the Independent Development Trust and the 108 applicants to settle outstanding issues. As and when these matters are resolved, approval will be given to individual applications," Mr Nuttall said.

"The first of these is expected within two to three weeks."

He added that site buyers must be 21 or older, have dependants living with them, have a maximum monthly income of at least R1 000, and must be first-time property owners and receive no other housing subsidy.

The standard subsidy per residential site will be R7 000.

The beneficiary of the subsidy will not be given the money directly, but will receive a credit for this amount against transfer of the property into his or her name.

"Where the selling price of the site is more than R7 500, the balance will be paid by the purchaser.

"If it is less, the difference between the R7 500 and the actual subsidy applied per site will be set aside for use in consolidation programmes for the project area, to be decided in consultation with the communities concerned," he said.

The IDT received 404 applications covering 640 000 sites in May. — Sapa.

Flat rentals growing at 'blistering pace' ¹²³

TOM HOOD, Business Editor

MOST sectors of the property market are static except rents of flats, which are still growing at about the CPI rate, says Mr Erwin Rode, research director of Real Estate Surveys.

"There is no indication that the flat market has heard of the recession. With flat vacancies still zero in most locations, rentals are growing at a blistering pace," he says in his latest report.

"Factors which are buoying rentals are accelerated sectionalisation of rental accommodation by, especially, the institutions, which are worried about the possible 'slummification' of their rental blocks.

"Looking into the future, we expect that revolutionary changes to housing subsidy schemes will within a year or so boost rental levels."

House prices abruptly levelled off in the last quarter of 1990, with up-market house prices declining significantly.

As a consequence, the growth rates over a year earlier tumbled precipitously in most instances, the exception being low-priced houses.

The economy might turn up between now and early next year but the property market lagged the business cycle by a year and longer.

Little growth in nominal terms translated into declines in real

terms.

ARG 21/8/91

"Once the property market turns up, it will take another six months or so before we shall again see real growth rates."

Prime office rentals continued their "relentless decline", even in nominal terms.

Vacancy percentages were growing slowly but inexorably, even in seemingly recession-proof areas such as Sandton.

South Africa's CBD's were now sufficiently oversupplied with office space that enough spare capacity was available until at least the end of 1993. The prognosis for most decentralised areas was markedly better.

Shop rentals had largely stalled in most areas.

While industrial rentals were losing ground, smaller units are proving more resilient in the face of recession than the larger units.

Building cost indicators had been running at 12 to 13 percent over their levels of a year ago.

Non-Residential building starts were up again to 1989 levels. This implied that the recession in the building industry has not been too severe, and that an upturn may be imminent.

There were also some indications that home building activity may have turned the corner after bottoming out in January.

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Housing subsidies look set to change

HOUSING subsidies provided by employers could look drastically different by the year's end, says Rode Report director Erwin Rode.

While the tax benefit on these subsidies has been effectively phased out over the past seven years, employees still enjoy a slight tax advantage when they receive a mortgage bond subsidy rather than cash, he says.

"This arises from the fact that the official rate for the calculation of the taxable value of such a subsidy is 19%, compared with a market rate of 19.75%," Rode says.

About 70% of employees currently receive a mortgage bond subsidy, with the subsidised rate of a large percentage of these not rising with market rates. "The moment tax subsidies become tax neutral or punitive, employees will seek to have this fringe benefit quantified and turned into cash," Rode says.

Flat rents set to rise sharply, says report

By Frank Jeans

Gar 21/8/91

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Flat rents are rising in most centres and the rate of increase could outstrip the rise in house prices by 15 percent this year and 12 percent next year.

This is the prediction in the latest Real Estate Survey of the Cape-based Rode Report, which sees a decline in the pool of flats for rent because of the accelerated conversion of units to sectional title.

Noting a blistering pace of rent rises in most areas, Erwin Rode, research director, says: "There has been no significant increase in vacancy levels and this suggests rent rises are unlikely to drop in the near future.

"Exceptions to the vacancy trend are Johannesburg's inner city and Joubert Park.

"The problem in these areas are well-known and while demand for flats is keen, evictions, absconders and a lack of suitable tenants combine to create the high vacancy levels found there."

Commenting on institutional fears relating to the abolition of the Group Areas Act, Mr Rode says these are mostly unwarranted.

"Apartment blocks in middle-class suburbs, and which are well-managed, are not in danger of slummification."

Looking at the property market generally, he sees most sectors marking time as the trough of the recession nears.

Compared with a year ago, Johannesburg and Pretoria house prices grew at a rate well

below the inflation rate, with gains of eight and seven percent respectively.

The three coastal areas — Durban (16 percent), Port Elizabeth (18 percent) and the Cape Peninsula (38 percent) — still beat the inflation rate by a substantial margin.

The survey says South Africa's major central business districts are now sufficiently oversupplied with office space, so that enough spare capacity is available until at least the end of 1993.

Shop rentals have largely stalled in most areas, while industrial rents are tending to lose ground even in nominal terms.

"Smaller industrial units are proving to be slightly more resilient in the face of recession," says Mr Rode.

● In its latest Building Review, the Building Industry Federation (Bifsa) says that companies operating in the residential sectors continued to report difficult business conditions.

"In particular, high mortgage bond rates and building-materials price inflation are having a marked impact on the affordability of housing.

"The unstable social and political conditions in the low-income housing market have brought about a significant slowdown of building activity in this sector," Bifsa says.

It adds, however, that the high level of crime has allowed the townhouse market to continue to grow at a brisk pace.

Eskom aims at electricity price rise of 8%

THIS year's increase in the price of electricity is likely to remain at the level of last year's 8% rise, and in line with government's aim of keeping tariff increases well below inflation. *B1 Day 22/8/91*

Eskom CE Ian McRae said in an interview that while he could not commit the Electricity Council to a specific price increase, Eskom itself was tied to reducing the real price of electricity for the next several years. *(S) (123)*

He said Eskom felt a great responsibility to the country and its economic growth and realised that the price of electricity was the key to this growth.

"We are, therefore, putting every effort into keeping the price down."

At April this year the price of Eskom electricity was 8,98c/kwh, and the average SA cost 10,19c, still the cheapest in the world.

BRENT VON MELVILLE

The discrepancy between Eskom's and the average cost is attributed to the addition of municipal rates, the most expensive being Johannesburg's 11,23c/kwh, or 25% higher than Eskom's base rate.

An Eskom spokesman said it was reasonable to assume that there would be a price rise this year of from 7% to 10%. The national average premium to Eskom's rate is about 13%, meaning that the average cost of electricity next year should be in the region of 10,85c/kwh to 11,2c/kwh.

This would mean that the average rate of electricity would exceed the price of electricity in Australia, which at present has the second cheapest electricity at 10,87c/kwh.

Australia last year pushed its average price up 1,2%.

Real owners can register

Staff Reporter

OWNERS of properties that have been registered in the names of nominees to get around the Group Areas Act now have a chance to sort out this anomaly at little or no cost to themselves.

According to a recent notice in the Government Gazette, parties to such property transactions have until the end of the year to ask the Registrar of Deeds to transfer the properties into the names of the "real owners", the principals. **CT 24/8/91**

"No transfer duty, stamp duty or other fees shall be payable in respect of a transfer (of this kind)," says the gazette. **(123)**

IDT housing plans under fire

South 22/8 - 28/8/91

By Karen Williams

(123)

INDEPENDENT Development Trust housing plans — already under fire from the World Bank — have also raised questions at UCT's Urban Problems Research Unit (UPRU).

A confidential World Bank report leaked last week urged the IDT to follow world experience and consider paying housing-related subsidies directly to the beneficiaries, rather than to land developers.

This week, Ms Vanessa Watson of the UPRU warned that the IDT's plans could involve an inefficient use of money. She expressed concern that there appeared to be insufficient measures to stop developers from using the money for their own, rather than the ultimate beneficiaries' benefit.

The IDT counters that it has appointed 40 consultants to monitor the scheme.

Under the programme the trust will effectively give private firms up to

R7 500 for each of 9 000 Western Cape site-and-service plots they buy and develop.

The plots themselves must be sold to first-time property owners who earn less than R1 000 a month.

Mr Jolyon Nuttall of the IDT said if the developer's selling price of the site was less than the R7 500 subsidy provided by his trust, the surplus money could be used by the individual to assist in the cost of a dwelling or could be used to provide community facilities.

If the cost of the site was higher than R7 500, the buyer would have to pay the difference.

Nuttall said there was no fixed breakdown of costs and it would vary from developer to developer.

UPRU's Watson also expressed concern this week that the bulk of the subsidy was limited to subsidising the cost of buying a site-and-service scheme.

The subsidy was thus linked to ownership of the site, whereas many people would still prefer to rent a site, she said.

Home industry gets limited relief

BUILDING Industry sources have welcomed Finance Minister Barond du Plessis's VAT concessions for the construction and sale of homes, but say they offer limited relief.

The moves allowed the consumer some "breathing space", but were limited in effect to March 1992, they said yesterday.

And while prospective home-buyers would be granted an extra six months in which to buy their properties, the effects of the full rate would be felt after that.

Certain contractors had entered into fixed price contracts for the construction of homes before the introduction of the VAT Bill, with completion after September 30.

Du Plessis said on Wednesday that the additional cost of VAT due to subcontracting work would then have had to be borne by the contractors, with severely detrimental effects in many cases.

The supply of construction services for new

PETER GALLI

buildings would be taxed at a rate of 6% because of the importance of providing housing and assisting contractors and homeowners, he said — provided the contract was concluded and construction completed before March 31 1992.

Inland Revenue VAT director Norman Patterson said yesterday the concessions were aimed at helping to reduce the double taxation situation many speculative builders would have found themselves in on September 30.

"These builders would have had stock on hand that they were unable to sell. They would then have had to charge VAT on all stock on hand, including the component on which GST had already been paid and which they could not claw back," Patterson said.

Du Plessis also said the sale of new homes completed within a year before the implemen-

tation of VAT, and trading stock in the hands of the vendor, would become VAT exempt if a sale agreement was concluded before March 31 1992.

The sale of land for home building purposes would also be taxed at 6% if an agreement for such a sale was concluded before March 1992. After that, sales would be subject to the standard VAT rate.

Houses in the process of being built on September 30 would be subject to a 3% tax if a sale agreement was concluded before December 31 1991, he said. But if the home was completed between January 1 1992 and March 31 1992 and the sale was concluded on or before March 31, it would be taxed at 6%.

However, transfer duty would still be payable on those transactions, the Minister said. "Contractors have, in anticipation of VAT, increased contract prices. In view of the concessions announced, it is incumbent that they pass on the benefits to their clients."

House price increases average 11,9%^{blow} says United Bank

23/8/91
PETER GALLI

THE average price of all houses rose by 11,9% over the four quarters to the end of the second quarter of 1991, the latest United Bank housing review shows.

While the increase in the price of medium-sized and larger houses continued to grow at a year-on-year rate of 13% and 9% respectively, new house prices continued to soften, moving only 1%, the review says.

The average price of a medium-sized house rose to about R116 400, with a larger home now costing R158 000 on average and a smaller home firming 15% to R98 300.

Building costs in the second quarter of 1991

rose by 12,9%, once again below the rate of inflation. "The stickiness of the inflation rate and the comparatively high money supply growth rate are bound to keep the Bank rate at its current level for some time to come," the review says.

"A lowering of the Bank rate is only foreseen in the first quarter of 1992, with the result that the mortgage rate will remain positive in real terms well into the foreseeable future."

Nominal mortgage payments on a 20-year bond of 80% of the value of a medium-sized

house — a bond of R93 100 — amounted to 15,1% more at R1 581 than a year ago.

The housing market was likely to remain under pressure on the back of the expected continuation of the economic downturn and interest rates remaining positive in real terms by a substantial margin.

"For the 12-month period to the end of the first quarter of 1991, house plans fell by 14,5% and the general expectation is that the number of houses completed will drop in 1991," the review says.

House prices are expected to increase by about 14% over the year.

GROUP AREAS TRANSFERS

A new grey area

123
FM 23/8/91.

The notorious Group Areas Act may have been consigned to history — but it has left confusion for those who made use of the “nominee” system to buy houses across the colour line. In terms of this, purchases by blacks were made through a white front; now sorting out the paperwork for the real owner is proving a headache.

Not only individuals fronted in such agreements — it was an open secret that several institutions and multinationals used the nominee system specifically to enable senior black staff freedom of choice in terms of where they lived and owned property.

In a commendable move aimed at legitimising these purchases, a clause was included in the Abolition of Racially-Based Land Measures Bill — which marked the death of the Group Areas Act on July 1. The new law permits residential or business land acquired by a white person on behalf of a black person in a white area to be transferred to the real owner without the need for additional registration costs or transfer duties.

All applications must be made to the Registrar within six months of the scrapping of group areas — which means that the deadline for transfer lies only months ahead. For some, at least, the change-over is working well enough.

One of the large employer organisations which used the nominee system to enable its black executives to own homes in white areas was Anglo American Corp. A spokesman for the group says it has taken advantage of the new legislation to normalise property ownership for these people. “The operation has, apart from a minor hiccup, gone fairly smoothly,” the spokesman reports.

That initial hitch apparently arose because the Deeds Registrar had difficulty taking transfer from a company to an individual, rather than from one individual to another. The matter was sorted out by lawyers representing Anglo — and all the group had to do was provide a company resolution showing it was empowered to transfer specific properties.

For others the issue appears to have meant little change. Pam Golding Properties Transvaal MD Ronald Ennik says he’s unaware of any requests for normalisation of contracts coming through to his agents. He feels that in most cases people who bought under this system would deal directly with their lawyers — but, even so, the lack of transfer requests suggests the new law might not have been properly publicised.

Even the legal profession doesn’t seem to have been confronted with any great rush of applications in the first seven weeks. Conveyancing attorney Selwyn Cohen says there have been few requests for assistance for

transfers to the real property owners since the scrapping of the Group Areas Act.

“It seems that people are either unaware that this legislation exists — or the number of purchases done in this way have been over-estimated,” he comments. “It seems likely to be a case of the former. People know that Group Areas has gone — but it went with an amazing lack of fanfare and I’ve not seen anything in the press about the nominee issue. We’ve referred to the matter in a newsletter sent to our clients this week.”

It seems not even members of the Deeds Registrar’s office are all that familiar with the legislation. A spokesman seemed oblivious of the fact that the law has come into force. His initial response was that the legislation is still being prepared and a date for its enactment must still be decided: “We are in the process of preparing an information guide with regard to the implications and looking at ways and means of making it available to those affected.”

He added that the issue was too complex to give a more detailed answer over the telephone and requested a set of questions to be faxed from the *FM*. No response has been received to those questions.

However, Johannesburg North DP MP Peter Soal, who claims the credit for the

insertion of the transfer clause, says it is already law and he is concerned that procrastination could rob people of the opportunity to normalise home ownership.

“The legislation was signed by President F W De Klerk in the last week of June. I was personally responsible for the amendment which legitimised property purchases which were contrary to Section 40 of the Group Areas Act on behalf of another person.”

What concerns him is that time is running out for applications to the Registrar. “The applications must be in writing and be accompanied by affidavits — this is to ensure that the clause is not abused in transactions undertaken in a post-group areas SA.”

Soal adds that though he’s had several inquiries about the issue he is not aware of anyone who has actually embarked on the process of such a transfer.

“I’m now concerned that the opportunity may be being lost because the Registrar’s office is oblivious of the legislation. If this is so I’ll be writing to the outgoing Minister Hernus Kriel or his successor, Leon Wessels, requesting an extension of the period.”

Perhaps residential apartheid became so much a part of the social climate that people cannot believe it has actually been swept away. ■

AT THE COALFACE

Regardless of the argument over whether or not SA has too many shopping centres, developers continue to build new complexes which are still being filled with willing tenants.

One of the more recent is the R30m-plus Highland Mews shopping centre, which opens for trading at the end of this month in the Witbank suburb of Klipfontein. Commercial & Retail Developments boasts that the 12 500 m² retail outlet — which will rival the town’s CBD shopping

facilities — is 98% let. Among the tenants are several national retailers.

These include: Woolworths, which is moving out of the CBD; Truworths; Topics; Foschini; Markhams; CNA; Clicks; Ackermans; Total Sports; Milady’s; Stans; Trappers; Geen & Richards and Russells stores; Allied, First National and Trust banks; and a Porterhouse restaurant and Steers fast food outlet.

The single-storey building is designed in “neo-Victorian” style and has 600 parking bays. The developers believe the Highland Mews centre will elevate Klipfontein shopping precinct’s status to that of a regional centre. It will have a catchment area extending as far as Middelburg, Bethal and other eastern Transvaal towns.



Rents off the boil

S/Times (Bus) (T) 25/8/91.

By IAN SMITH

(123)

SQUEEZED by the recession, industrial property rents are falling from their peaks.

Real rents are now close to their levels of two years ago, says Erwin Rode, research director of Real Estate Surveys, in his report on the property market.

The survey indicates that owners of industrial premises are likely to wait for better times before negotiating new long-term leases with tenants.

Industrial rents weathered the recession remarkably well in nominal terms until the beginning of this year. They did, however, lose ground in real terms after inflation.

Trends are in line with manufacturing indicators, which show declining volume production since 1988 and percentage use falling to 80%.

Mr Rode says the survey shows the industrial market will take an accumulated knock from the economic downturn in 1991 and 1992.

"A rally is unlikely before the economic upturn gathers momentum," says Mr Rode.

Prime industrial rentals increased by 22.5% in 1989 and by 27% last year. Mr Rode expects rental growth of 3% this year and 7% next year.

Informal housing ⁽¹²³⁾ key to new policy

ARG 21/8/91

Political Staff

INFORMAL housing had to form a key component of a new negotiated housing policy, according to a report by the Urban Foundation.

The report, entitled "Informal Housing: Part One", said there was a need for "a unique policy process", informed by events elsewhere in the world but negotiated among all those whose interests were at stake.

The report, part of the foundation's "Policies for a New Urban Future", said spontaneous informal housing was a national phenomenon, and informal housing was now "a major component of contemporary urban residential landscapes".

Informal housing, said the 56-page report, was an important part of the residential fabric of South African towns and cities, and viewpoints which envisaged the re-housing of all or most of the present shack-dwellers would have to come to terms with the scale and the fiscal consequences of the programme that was implied.

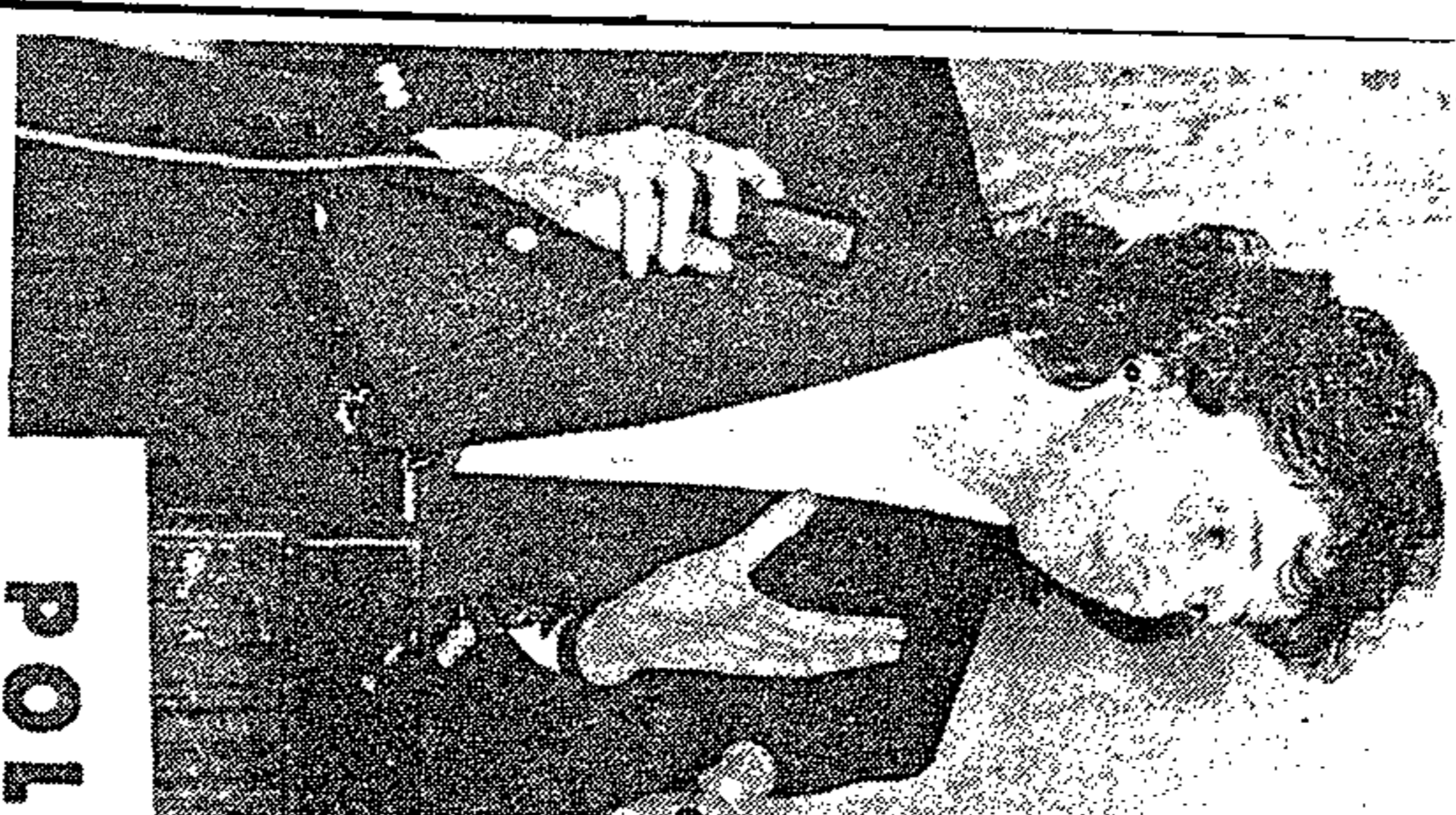
"Support for a housing policy with informal housing as a key component cannot be taken for granted. Informal housing has come to symbolise exclusion for many people and disorder and anarchy for others.

"If it is to gain broad support, a new policy will have to be widely discussed and debated, and not unilaterally imposed," the report said.

The report, according to foundation chief executive Mr D L van Coller, was the product of a major five-year study managed by the the foundation's Urbanisation Unit under the aegis of the Private Sector Council on Urbanisation, a forum which brings together the major employer bodies, leaders from both urban and business communities and the foundation.

The second part of the report, to be called "Informal Housing: Part Two", will be released next year. It will outline an approach to the negotiation of a new consensus on housing, particularly informal housing.

Informal structures 'part of the housing solution'



● BERNSTEIN

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INFORMAL housing is a reality and will have to be a dominant feature of SA's housing drive, but it should not be considered a long-term solution, the Urban Foundation says in the first of two documents on the subject.

The document is part of the Policies for a New Urban Future series produced by the foundation's urbanisation unit. It lays the basis for a new approach to informal housing and will be followed by a second document which will propose new policy guidelines.

The researchers, led by Urban Foundation director Ann Bernstein, estimate at least 7-million urbanised South Africans — more than half the black metropolitan population — live in backyard shacks, outbuildings and free standing settlements. They conclude that a key challenge facing people involved in the housing

process is their ability to upgrade these informal homes into conventional houses.

The document is based on a five-year research programme undertaken by the urbanisation unit and a private sector council comprising the urban and business communities.

Conditions

It provides a breakdown of the effects of urbanisation on the main metropolitan centres and studies land invasions, relocation and conflict, concluding that informal housing and illegal invasions are a symptom of uncontrolled urban growth.

A break-down of the main urban centres shows that the bulk of informal housing is in the PWV region where more than half of the 5,2-mil-

lion population is informally housed.

But, it also shows that the economic and living conditions of informal settlers are worst in the eastern Cape and that Durban and Cape Town's urban infrastructures are under immense pressure as a result of rapid population growth.

It finds that 33% of backyard shack-dwellers are unskilled, while about 52% are formally employed, earning about R750 a month. Some 41% of shack-dwellers in free standing settlements are unskilled while approximately 44% are formally employed, earning about R450 a month.

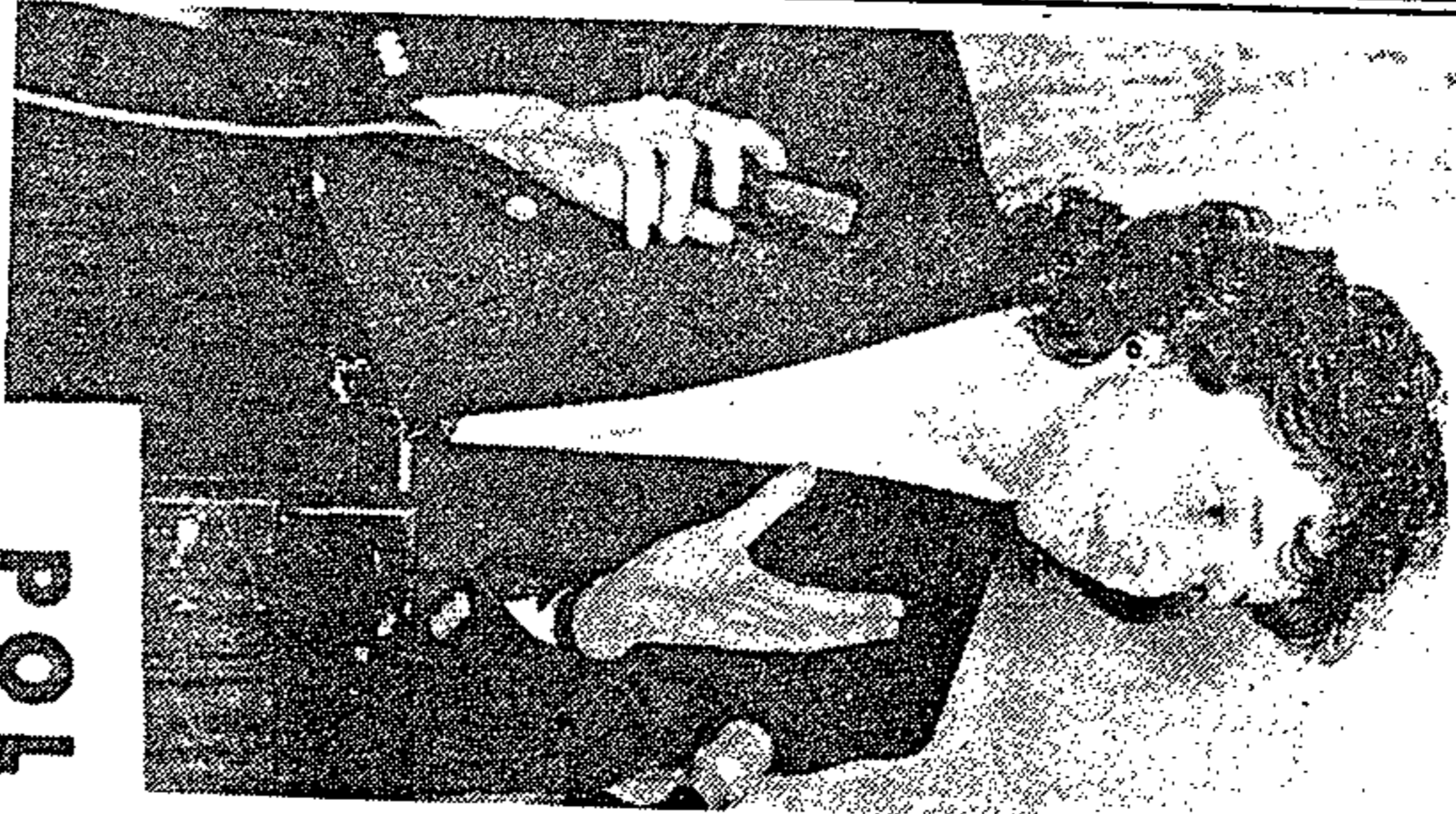
The study recommends informal housing processes — such as "in-situ" upgrading — and the rehabilitation of existing houses that will have to accompany formal housing processes.

It says solving the housing problem will require the combined efforts of the public and private sector.

LESLEY LAMBERT
By Lesley Lambert
 27/8/91

Private: Corriolone, 9 | summer months





● BERNSTEIN

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LESLEY LAMBERT

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Billion

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CT 27/8/91

plan to

upgrade

**Political Staff
JOHANNESBURG.** —
The government will today disclose details of the socio-economic projects it will fund with the R1 billion gleaned from selling off strategic oil reserves, Economic Co-ordination Minister Dr Dawie de Villiers said yesterday.

It is understood that Dr De Villiers will announce that the R1bn will be spent on once-off investments to fund community-based projects to stimulate economic growth and to provide jobs over a protracted period.

A source said the government realised it had a responsibility to the less privileged sectors of the

community and it had been decided that some of the major projects that would be funded include:

CAPE TOWN IS FASTEST GROWING CITY IN SA

See PAGE 5

- Building community centres;
- Building 141 primary health clinics;
- Developing sports facilities in squatter settlements;
- Upgrading 50 hostels in the Transvaal townships, and
- Setting up systems for potable water in self-governing homelands.

A spokesman for his office said that Dr De Villiers would discuss the expenditure and allocation of the R1bn at a press conference this morning.

The funds raised from selling off oil reserves would be spent on special projects "designed to make the maximum contribution to economic growth, job creation and social stability", the spokesman said.

The sale of reserves to fund socio-economic upliftment was announced by President F W de Klerk during his budget vote in Parliament earlier this year.

Dr De Villiers's office received floods of proposals for funds following Mr De Klerk's announcement.

According to one source, some organisations sent in the same request in two different guises that could result in their getting double funding for their projects if this was not discovered in good time.

It could not be established yesterday how the funds would be channelled to the projects.

...make them a good alternative to syndication.

No rush into white suburbs as Act goes

Blown 28/8/91
THE scrapping of the Group Areas Act and other apartheid legislation has not brought the expected influx of blacks into white and "grey" areas.

Developers should therefore encourage development in black cities to combat the country's housing problem, says Murray and Roberts housing division executive director Gavin Hardy.

Main reasons for the lack of development in black cities were the lack of infrastructure and community support — or active resistance — and the fact that funding organisations were unable to channel development funds effectively.

And private sector financial institutions were generally unwilling to provide development funds because of the perceived risk stemming from the destruction of property, loan defaults, boycotts, unreliable tenants and/or high turnover of tenants. All of these factors meant an uneconomic return on investment.

"Priority should be given not just to the development of homes, but also of communities as dictated by market forces. Enabling legislation should pave the way for private sector involvement in the provision of facilities for education, health care and recreation," says Hardy.

The development of housing projects with no in-



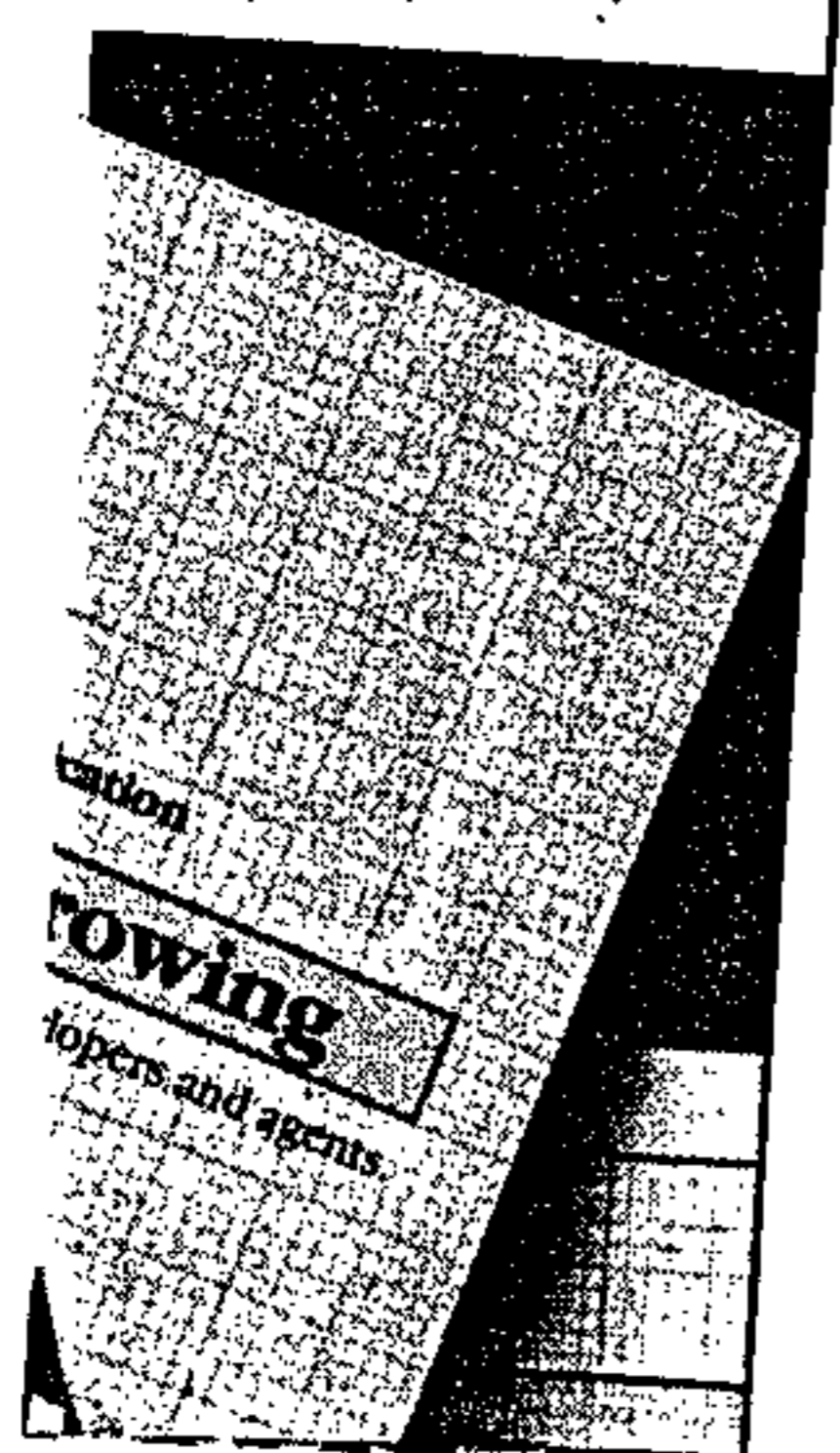
● HARDY

frastructure or community facilities should be discouraged unless there is market demand.

Existing stock in white and "grey" areas should also be made accessible to people of all races and discriminatory practices had to be identified and stopped.

"In addition, government and semi-government land and facilities in metropolitan areas must be made available where possible so that low-rise apartment buildings, cluster homes and affordable individual housing can be developed."

Developers should act as facilitators in identifying and solving problems arising from cultural differences among the various parties, adds Hardy.



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MOST developing countries have accepted informal housing as a permanent and vital feature of their cities. The policies they have implemented to formalise this new approach contain valuable lessons for SA.

Squatter settlements and backyard shacks — once the subject of forced removals and demolition — are now being upgraded and re-inforced as part of national housing policies. In many countries they are the dominant form of urban shelter.

The new pragmatism has stemmed largely from the inability of governments to reverse the tide of urbanisation and the inability of conventional housing programmes to accommodate the consequent growth in urban populations.

Having accepted that informal housing is part of the solution, developing nations have formulated strategies to upgrade new and existing squatter settlements, to remove the stigma and insecurity of illegal squatting and to pre-empt the development of new slums.

The Urban Foundation's urbanisation unit has spent five years reviewing informal housing in a range of countries in Latin America, Asia and

New look at informal housing

123
Africa. From its research the unit has distilled the lessons to be considered by local policymakers who are formulating a new national housing policy.

SA has followed world trends away from the destructive policies of the past towards self-help site-and-service schemes and the upgrading of existing settlements. While the site-and-service programmes have shown considerable promise, several common difficulties have emerged.

The rate of development has been hampered in many countries by the lack of secure tenure and access to finance, resulting in widespread disappointment. Affordability remains another major stumbling block.

While site-and-service schemes are more affordable than other forms of shelter, they remain out of the reach of large sectors of the urban poor. "Down market raiding", where land intended for the urban poor is occupied by higher income groups,

LESLEY LAMBERT

often excludes people for whom new developments were intended. The need for regular payments excludes those who do not earn regular incomes.

The Urban Foundation researchers conclude that many of these problems can be resolved if site-and-service is accommodated in a broader housing strategy.

Upgrading of existing shelter and residential areas has won increasing international support as a key element of national housing policy, largely because of a shift in World Bank funding to the upgrading of existing informal and slum housing.

The shift in emphasis has been justified in cases where upgrading has been more affordable than site-and-service, but many of the bank's pro-

jects combine the strategies.

Upgrading is often more affordable because it allows for unusually high housing densities. No new land is required and additional savings can be achieved if communities participate in the installation of services. Commuter transport costs are often lower because settlements are normally closer to urban centres.

But upgrading is also not free of stumbling blocks. Relocation is sometimes necessary in densely settled areas, securing land tenure is a difficult and complex process and community participation is often obstructed by government opposition.

The logical step from site-and-service and upgrading schemes is consolidation — the term development economists apply to the transformation from shacks to conventional homes.

The argument that the formalisation of informal housing condemns participants to live in shacks forever

is only partially valid, the foundation contends. "International experience has shown that 'squatter' enclaves in many cities have been transformed over time, often to become virtually indistinguishable from neighbourhoods with formal housing," the foundation says.

International experience has also shown, however, that the success of consolidation depends largely on three factors: community participation, politics and the role of government and other participants.

Community participation plays a vital role in the implementation of informal housing strategies by legitimising projects and reducing labour and service costs.

The document concludes that successful housing policies must be balanced and multifaceted. Those which have pursued single solutions have failed.

It calls for the innovative and bold expansion of informal settlement experiments into national housing solutions and argues that access to affordable, well located land will go some way towards preventing the desperate action to which resource-starved communities are prone.

Developers take on more paperwork

PROPERTY developers in the affordable housing market are taking on more responsibility, and becoming more actively involved in much of the bureaucratic background work involved in obtaining bond finance.

In addition, the implementation of VAT was expected to add 6% to the price of every home in the "affordable" market. This would mean that costs would have to be cut even further, depressing the market.

The government subsidy has also not been adjusted to take VAT into consideration, so both the prospective buyer and the developer will be hit by this," said Time Housing MD John Williamson in an interview.

"We are responsible for explaining all aspects of home buying, bond finance and the like to prospective home buyers.

"In addition, we have to check their credit-worthiness, and should there be a problem we do not even attempt to apply for a bond," Williamson said.

There was no shortage of buyers who could afford the homes, but finance was creating an obstacle to this, he said. But the institutions were slowly coming back

into the market.

Institutions believed the present system of low-cost housing, serviced stands and spiralling interest rates did not work, and were not keen to re-enter the market.

"At the end of the day, pressure will probably be exerted on the life assurers to play some part in the low-cost market, even if it is standing guarantee rather than providing upfront money," Williamson said.

"We have to endure enormously high overheads, but we are confident we have reached the bottom of the recession in affordable housing and that the market must become more active."

What the market needed was a more stable community, a flat interest rate and an overall, single government policy that looked at the upgrading and inclusion of existing areas rather than just developing new ones, he added.

The low-cost market had been in a downswing for the past 18 months and would probably improve only in the second quarter of 1992.

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Reports by
PETER GALLI

Bankers join forces on housing projects

Star 29/8/91

By Frank Jeans

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WILD COAST — Major banks and finance houses are joining forces to tackle housing projects.

Speaking at the Institute of Estate Agents convention yesterday, Mike Vosloo, MD of Standard Bank, said: "To enable home lenders to stay in the market and to progress to the point where adequate finance can be made available, we will have to adopt new approaches to the market.

"These include close co-operation by institutions in areas generally considered to be outside the bounds of competition.

"This is already happening. Standard Bank recently came to an agree-

ment with the Perm and First National Bank to work together on housing projects. The intention is to avoid the duplication of expensive infrastructures, to share expertise and new thinking and to share risk in certain areas."

"Close co-operation with developers has been used successfully by Standard for the Urban Foundation Loan Guarantee and we are now expanding it to include all development lending," he said.

Welcoming the "re-involvement" by foreign banks in the new SA, Mr Vosloo said this could only lead to more ompetition.

Referring to the controversial issue of institutional involvement in real es-

tate, Mr Vosloo said: "Concern has been expressed that the purchase of equity will lead to control and manipulation of those firms, and ultimately of the industry.

"Some see those institutions that have purchased equity as having set themselves up in opposition to other agents.

"There is concern that the purchase of equity is not in the interest of the home purchaser, who may feel coerced into applying for finance from the institution concerned, even if he is a long-standing customer of another bank.

"We do not intend to influence estate agents to sell our broader range of financial services," he said.

ARTY

Informal homes a key component of new policy

Sowetan 29/8/91
INFORMAL housing had to form a key component of a new negotiated housing policy in South Africa, according to a report released by the Urban Foundation in Johannesburg on Monday.

The report, entitled Informal housing, part one, said there was a need for "a unique policy process" in South Africa, informed by events elsewhere in the world but negotiated locally among all actors whose interests were at stake.

The report, part of the UF's "policies for a new urban future", said spontaneous informal housing was a national phenomenon, and informal housing was now "a major component of contemporary urban residential landscapes".

Shack dwellers

Informal housing, said the 56-page report, was an important part of the residential fabric of South African towns and cities, and viewpoints which envisaged the rehousing of all or most of the present shack dwellers would have to come to terms with the scale and the fiscal consequences of the programme that was implied.

"Support for a housing policy with informal housing as a key component cannot be taken for granted. Informal housing has come to symbolise exclusion for many South Africans, and disorder and anarchy for others.

New policy

"If it is to gain broad support, a new policy will have to be widely discussed and debated, and not unilaterally imposed," the report said.

The report, according to UF chief executive DL van Coller, was the product of a major five-year study managed by the the UF's urbanisation unit under the aegis of the Private Sector Council on Urbanisation - a forum which brings together the major employer bodies, leaders from both urban and business communities and the UF.

- Sowetan Correspondent

Lower-income homeless will be hit by new tax

THE implementation of VAT will make affordable housing in South Africa a mirage, vice-chairman of the Witwatersrand Network for the Homeless, Mr Thami Mncube, said yesterday. *Sowetan*

Mncube said it was a tragic and telling indicator of the Government's priorities at this time that it had not seen fit to protect lower-income homeless people from the negative effects of VAT. *29/8/91*

He said that tax mechanisms should be devised to provide as much help as possible to this sector to lessen, not further exacerbate, the crisis of homelessness.

"By taxing land, labour, administrative overheads, the present cost of serviced land and housing, already beyond the means of 70 percent of urban dwellers, will be increased by up to seven percent.

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By Ali Mphaki

It was the organisations' view that by increasing lower-income people's expenses on outlays for transport, food items and recreation now subject to tax, will diminish their already meagre disposable income.

"They will have even less money for decent housing," said Mncube.

The organisation called upon the attention of all interested bodies to the "unfortunate" effects of VAT on the issue of housing the homeless.

"It is in the immediate and long-term interests of the whole society, and not only homeless people, that all efforts be directed to helping achieve secure affordable housing for millions of homeless people.

"The implementation of VAT as proposed is counterproductive to this," Mncube added.

VALUE ADDED TAX
Chasing tails

F M 30/8/91
~~123~~ 123

Finance Minister Barend du Plessis' tinkering with the VAT rate were obviously intended to disarm his critics in the run-up to implementation. He may have taken the political pot off the boil — but last week's revisions have created new complications for property transactions.

For the residential property and construction industry, the Minister has introduced a

where such concessions are made on the payment of VAT the buyer will instead have to pay transfer duty.

On the basis of this, MacKenzie believes the only sellers who will lose out will be those who cannot dispose of stock in time, like developers who have over-stocked. He adds that buying land on which to build a house will now attract VAT at 6% if bought before March 31 1992. Here again, sale of the land will attract full transfer duty.

However, he feels the relief is generally most welcome — particularly as buyers of sub-R30 000 sites will pay only 7% (6% VAT and 1% transfer duty). When the land is bought from a private person, full transfer duty of 1% is payable on a R30 000 purchase but no VAT is applicable. "For more expensive land the concession is not significant, as the cost is 9% (6% VAT and 3% transfer duty on the amount of the purchase consideration that exceeds R30 000)."

revert back to 10%. "The result is that VAT will still push up the cost of houses. Worst hit will be the low-cost housing market which can ill-afford any increases. Relief measures in this area are, therefore, a matter of urgency," he argues.

The house that VAT built
The way they rate

	Completion date	Agreement concluded	Rate
Houses	Between Sept 30, 1990 and Sept 29, 1991	Before Mar 31, 1992	Exempt
	On or before Dec 31, 1991	After Aug 22, 1991 but on or before Dec	3%
	During period Jan 1, 1992 to Mar 31, 1992	After Aug 22, 1991 but on or before Mar 31, 1992	6%
	After Mar 31, 1992	Before Mar 31, 1992 After Mar 31, 1992	10% 10%
House building contracts	Before Mar 31, 1992	Before Mar 31, 1992	6%
Land for houses	—	Before Mar 31, 1992	6%

Source: ERNST & YOUNG

ation that exceeds R30 000)."

MacKenzie retorts: "Where companies buy the land the transfer duty is 5% and this, with 6% VAT, pushes the cost to 11% — hardly a concession." He adds that the sale of a house in the course of erection — which is completed and sold before December 31 1991 in terms of an agreement concluded after August 21 1991 — will attract VAT at 3%. No doubt this will result in many existing contracts being cancelled. However, there is a chance that Section 73 of the VAT Act could revoke such

six-month concessionary period which will effectively cushion the initial impact of the tax. Ernst & Young's Charles MacKenzie believes this should address many of the inequities initially contained in the VAT Act. Even so, Building Industries Federation (Bifsa) economist Charles Martin believes that based on the revised VAT rate of 10%, house prices will be pushed up by 2% to 3%.

MacKenzie explains that one of the biggest problems for home builders, prior to last week's announcement, was that there would be no relief on GST paid on materials used before the introduction of VAT — even though VAT at 10% would have been payable on the property sale. "This was particularly unfair because sellers of other commodities are entitled to recover GST paid on trading stock held on September 30," he notes.

As a result of the revision, a house completed on or after September 30 1990 can now be sold VAT-free until the end of March next year. However, Mackenzie stresses that

cancellations and order payment at the full VAT rate. MacKenzie says that if a house is completed after January next year, but completed and sold before March, VAT will be payable at 6%. Sales on or after March 31 will be subject to full VAT at 10%.

"All housing contracts attract VAT at 6% provided the dwellings are completed before March 31 1992. The Minister did not announce any concessions for the construction of buildings other than dwellings. This is unfortunate, as fixed price contracts concluded before the end of September will attract VAT on the price specified. However, the contractor isn't obliged to pass the benefit of the input credit on to the client.

"While Du Plessis didn't address the question of input tax credits for these sellers it appears that, as the transactions are subject to VAT, a full input tax credit should be allowed."

Bifsa's Martin believes the concessions will provide a cushion during the transition to VAT — and, thereafter, the rate will

Three factors that restrict house builders

11/9/91
S/Times (BWR?) 11/9/91
(123)

By JULIE WALKER

GROUP FIVE chief executive Peter Clogg says South Africa's house-building industry will be able to contribute to easing the shortage of shelter only when three things take place:

- Removal of regulations that cause undue delays and increase costs;
- Finance becomes available;
- Communities accept local authorities as being legitimate or that alternative structures acceptable to them are put in place.

Mr Clogg says that regrettably, government agencies have spent ages trying to acquire knowledge that has been available in the industry. Should these government agency resources be used to eliminate restricting factors and to harness funds, the house-building industry could rally much sooner.

Civils

Mr Clogg expresses disappointment that about 90% of the R750-million allocated for site-and-service work through the Urban Foundation was directed to municipalities and regional services councils. He believes the money could have been more efficiently applied through the private sector.

Group Five lifted earnings a share by 14% to 193,6c on an 11% decline in turnover to R1,16-billion in the year to June 1991. The dividend was raised to 64c.

Civils and building produced excellent results. Building has a reasonable order book.

But Mr Clogg refers to a shortage of work in the engineering, homes and roads divisions. Group Five has a 40% stake in Tolcon, whose

future is under scrutiny.

He hopes that once some work becomes available and competitors tender realistically, matters will improve.

The industry will soon be unable to cope with a sudden increase in work because most contractors have reduced their capacity in the past four years as a result of a shortage of work. Group Five's labour complement has dropped by a quarter to 11 557 since June 1990.

Mild

Group Five will find the going tough in the short term, and Mr Clogg predicts a decline in earnings in the current year.

The share price shed 20c to 680c after a significant rating in the past 12 months.

But with no further deterioration and a mild improvement in fixed investment in both SA and its neighbouring countries, Group Five would be well placed to resume growth.

Its cash pile of R84-million will help it to weather the recession.

ANIES

State-aided buyers help Ilco to double earnings

A HEFTY increase in state-subsidised home buying and a successful marketing drive enabled home building group Ilco Homes to double earnings in the year to June 1991.

Despite difficult trading conditions in the building industry, earnings rose to R5,2m (R2,6m) or 17c (7,5c) a share on the back of a 215% increase in turnover (no turnover figure was disclosed).

The dividend payout was maintained at 7,5c, covered 2,27 (1,13) times, and reserves were boosted to a healthy R25m (R22m) for the period under review.

Financial director Warwick Lombard cited the large increase in government-subsidised home buying as the prime reason for the strong results. He said the group was selling

MARC HASENFUSS

more houses than ever and it appeared as if consumers had learnt to live with high interest rates.

The group had also undertaken a more aggressive marketing drive in the Cape, where the bulk of Ilco's housing development is concentrated.

Operating income was up 100% to R9,3m (R4,5m) but interest paid doubled to R4m (R1,9m) and taxed profit came in at R5,2m (R2,6m). No tax was paid in the period under review.

Lombard conceded that the improved results should be viewed against last year's earnings, which were down by a third from the 1989 level.

Directors said it was unfortunate that government's implementation of VAT once again disregarded the importance of creating affordable housing for the lower and middle income groups.

Although there was some relief in the reduction of VAT from 12% to 10%, it was ironic that necessities such as housing and basic foods, which were previously exempt from GST, would now be taxed at the same rate as luxury items.

The inception of VAT would add at least 7% to the selling price of houses and minimal relief would be given to buyers purchasing homes before March 31 1992, directors said.

Lombard said the property development market showed no

definite trend, making forecasting difficult. However, he believed next year's results would be even better.

Ilco has already embarked on its 5 500-home Summer Greens Project at Milnerton "Irry" which extreme interest has been shown.

Directors said that, although economic conditions and high interest rates would continue to hamper and reduce consumer spending, the group was well placed to take advantage of any real drop in interest rates.

Tightly held Ilco shares (directors control 91%) were traded at 75c in a small deal yesterday, midway between their 105c-high in January and 50c low in July.

The share is trading at a considerable discount to the group's current net asset value of 132c (122c).

Developer calls for action on housing

A call for immediate action on a housing policy and day-to-day strategy which will not be shackled by red tape and bureaucratic bog-down is made by Gavin Hardy, executive director of the housing division of construction giant, Murray & Roberts.

The group is a leader in housing development.

Welcoming the repeal of legislation governing land use, Mr Hardy ap-

peals to the authorities to put a housing policy "on the table so that the major players in the housing field can plan ahead".

He urges a situation whereby, on a daily basis, developers are able to answer these questions:

● How many houses were delivered yesterday?

● How many are planned for today?

● And how many for tomorrow?

"The thrust of government thinking is away from separate development and own affairs towards a negotiated system of joint local government based on private ownership," he says.

"Its aim is to rationalise the present system of racially-based land tenure rights and land registration and to upgrade leasehold rights to full ownership."

Mr Hardy calls on all parties involved to devise, in consultation with private enterprise, a comprehensive national housing strategy to enable the building industry to meet the needs of all.

"Specific attention



Gavin Hardy

must be given to eliminating red tape to facilitate the provision of land and the development of housing," he says.

"We believe this can be achieved only by merging the 13 housing authorities into a single representative authority," he says.

SOWETAN
Building the Nation

PROPERTY



Despite poor economic conditions many people are taking the advice of estate agents that you can never go wrong with investing in property.

Perm Home Line.
When you need somebody to lean on.

Property still the best investment

Sowetan 5/9/91

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By PHANGISILE MTSHALI

PROPERTY remains the most reliable of investments as even "small" properties usually break the R100 000 barrier, estate agent boss Mr Scott McRae said in the United Building Society housing survey.

"A bond is in fact a forced saving. Unless a household is particularly well disciplined, that bond money would almost certainly have dissipated elsewhere without any real return."

McRae, however, warned homeowners not to expect major cuts in their bonds rates because the current economic conditions simply "won't allow it".

Inflation

"It would seem that some of the price-rise pressure is coming from a market that is anticipating the inflationary effects of VAT," he said.

McRae argued that property has outperformed inflation. "Nobody loses on property," he said.

in home prices. He, therefore, advised against delaying a purchase in the hope of prices coming down was a mistake.

McRae was also quick to add that even a one or two percentage drop in interest rates would ease the burden of the homeowner.

Payment

He advised that ideally the homeowner should continue to pay his bond off at the same rate or even increase his payment, thus saving himself considerable amounts of money in terms of interest.

More discipline in housing market



Bid to beat ⁽¹²³⁾ housing crisis

CT 6/9/91

From ANTHONY JOHNSON
Political Correspondent

DURBAN. — The government will soon unveil a major new plan to ease the national housing crisis and address the multiple problems arising from South Africa's rapid urbanisation.

The new Minister of Planning, Provincial Affairs and Housing, Mr Leon Wessels, said in an interview that his department was working on drastic changes to existing policies to allow for the rapid provision of land for settlement and to address the massive housing shortage around South Africa's cities.

The new approach would be outlined in one and possibly two White Papers to be tabled during the next session of Parliament.

Either way, they will amount to "a major policy statement" on a par with the government's "orderly urbanisation" strategy announced in 1986.

He said a major goal of the "Co-ordinated National Policy on Housing and Urbanisation"

would be to cut through the red tape which was hampering the identification of residential land and provision of urgently needed housing.

Mr Wessels said there were too many conflicting and competing authorities and bureaucracies dealing with the provision of housing.

"These will have to be drastically rationalised and streamlined."

Results

Ways also had to be found to boost efforts by the government, the private sector and individuals "to make available informal housing and housing for the less privileged".

Earlier, while addressing the National Party's Natal congress on the growing and related problems of squatting, homelessness, poverty and rapid urbanisation, Mr Wessels said that South Africa would have to see "the results, not the beginning" of a fresh approach by the next year's

parliamentary session.

He told delegates that "short cuts" would have to be found to speed up the provision of housing to the poor in South Africa.

South Africa faced the "awful spectre" of 16,6 million people living below the poverty line.

Mr Wessels said the plight of the "have nots" and the "abysmally poor" had become increasingly evident in recent years and the country faced a "mammoth task" of social development and upliftment.

The government needed to be seen as a "caring government" but money alone would not resolve the problem, he said.

Mr Wessels said South Africa could no longer afford the tremendous amount of suspicion, duplication and fragmentation of bodies dealing with poverty and development problems.

"We need to have a joint policy and a joint development strategy.

"Talented and qualified people are not available in large

To page 5

From page 1

numbers and we need to harness these people to work together in a constructive manner."

Mr Wessels said he was sometimes angered by South Africans who believed they "can still remain in white ivory towers and don't feel the need to assist or become involved" ⁽¹²³⁾ CT 6/9/91

He was also saddened by people who "won't understand" the plight of the poor and the need for assistance.

"I want to serve notice that I am planning to do battle with these people in future," he said.

Mr Wessels said the "developing" component of South Africa society was marked by a high rate of illiteracy, poor or inadequate housing, a high infant mortality rate and unhygienic living conditions.

"The hardest hit of all are the aged, children and the disabled.

"If their plight is not addressed, dependency and deprivation will strip them of the human dignity that is their birthright."

Mr Wessels said he was looking forward in his new portfolio to working towards removing distrust among communities and would endeavour to listen to "the rich and the poor, the uptown and the downtown, regardless of status".

● The government hoped to reach parity in all social pensions in the next five years, he said.

LINDA ENSOR

CAPE TOWN — The Nedcor-Old Mutual scenario's proposal for a massive investment in housing for the poor as a way of kickstarting the economy has been called into question by Stellenbosch economics professor Colin McCarthy.

Speaking at the western Cape Saccob regional congress McCarthy said economic quick fixes did not exist.

"To turn the SA economy around will take time," he said.

"Apocalyptic doomsday talk will definitely not benefit the economy,

'No quick fix for economic crisis'

but neither will the creation of false expectations through the advocacy of quick fixes be helpful."

He questioned whether the economy could supply the building materials necessary for a massive house building programme at unchanged prices or whether this would merely result in bottleneck inflation.

"Does supply really create its own demand in a money economy? Will the effects on the balance of payments be negligible? I have my

doubts about these issues."

Economic growth required an inflow of foreign capital. McCarthy said he did not have much faith in the idea that the economy could grow faster on domestic savings through a drastic lowering of the capital requirements of economic growth. —

To attract foreign investment, the economy would have to be competitive internationally and therefore have an export orientated development strategy.

Major new housing deal soon

8/Day 6/9/91

(123)

Political Staff

DURBAN — Government will soon unveil a major new plan to ease the national housing crisis and address the problems arising from SA's rapid urbanisation.

Planning, Provincial Affairs and Housing Minister Leon Wessels said in an interview that his department was working on drastic changes to existing policies to allow for the rapid provision of land for settlement and to address the massive housing shortage around SA's cities.

The new approach would be outlined in at least one White Paper to be tabled during the next session of Parliament, amounting to a major policy statement on a par with government's "orderly urbanisation" strategy announced in 1986.

He said a major goal of the "co-ordinated national policy on housing and urbanisa-

tion" would be to cut the red tape hampering the identification of residential land and provision of urgently-needed housing.

Wessels said the number of conflicting bureaucracies "will have to be drastically rationalised and streamlined".

Ways had to be found to boost government, private sector and individual efforts "to make available informal housing and housing for the less privileged".

Earlier, while addressing the NP's Natal congress on problems of squatting, homelessness, poverty and rapid urbanisation, Wessels said SA would have to see "the results, not the beginning" of a fresh approach by next year's session.

□ To Page 2

Housing

8/Day 6/9/91

(123)

□ From Page 1

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Government needed to be seen as a "caring government" but money alone would not be a solution to a "mammoth task".

"We need to have a joint policy and a joint development strategy. Talented and qualified people are not available in large numbers and we need to harness these people," he said.

Wessels said he was sometimes angered by South Africans who believed they "can still remain in ivory towers and don't feel

the need to assist or become involved" and saddened by those who "won't understand" the plight of the poor.

"I want to serve notice that I am planning to do battle with these people in future," he said.

He said the "developing" component of SA society was marked by a high rate of illiteracy, poor or inadequate housing, a high infant mortality rate and unhygienic living conditions. "The hardest hit are the aged, children and the disabled. If their plight is not addressed, dependency and deprivation will strip them of the human dignity that is their birthright."

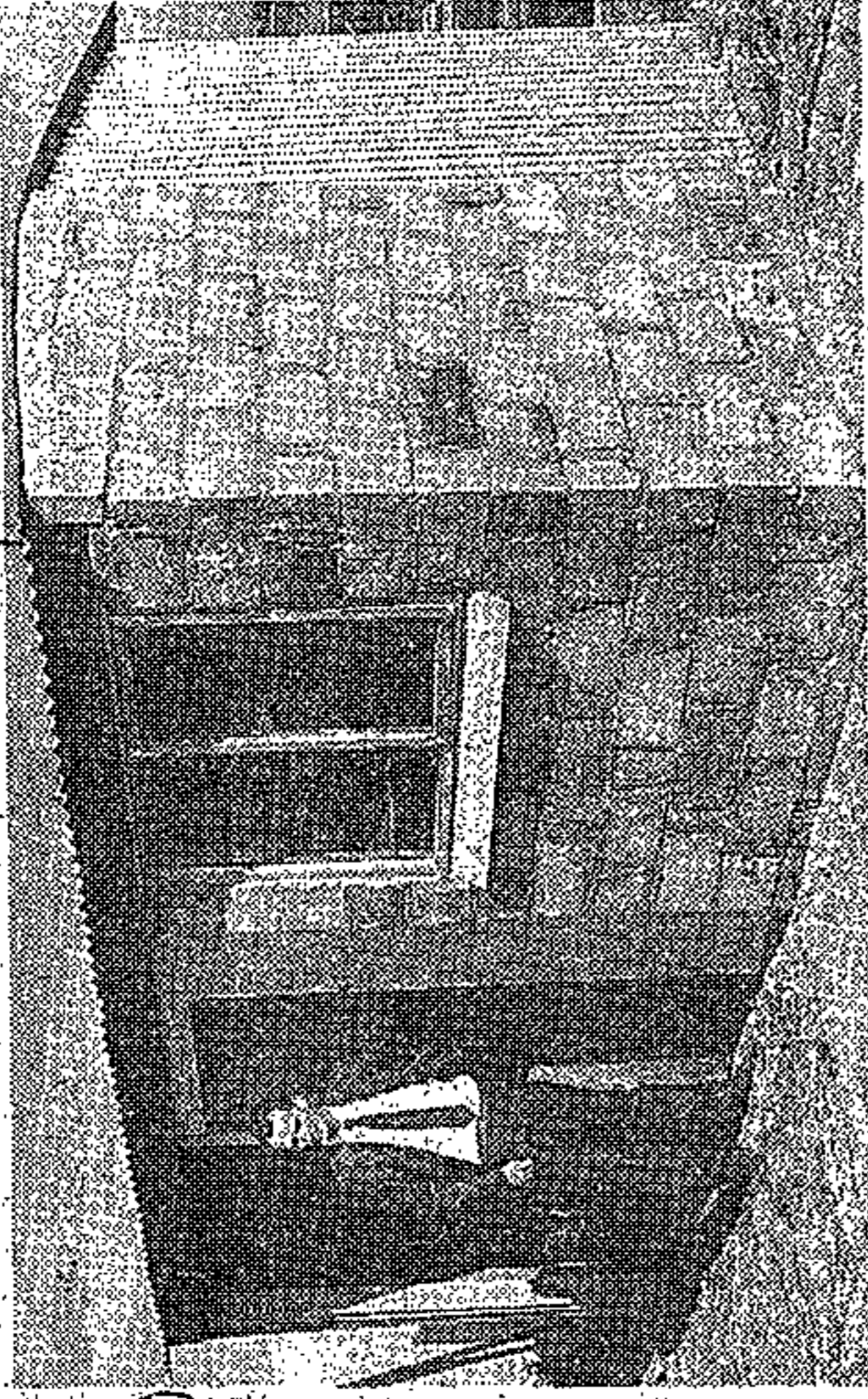
● See Page 4

● Comment: Page 10

CHEAP HOME

Council official Mr Hans Smit with the cheap home he designed. He has put up different walls on this prototype, to show what can be done.

Picture: ALAN TAYLOR



Wall-less home — for R3 000

(23) 561919

Municipal Reporter
A PROTOTYPE core house for the very poor, costing under R3 000 without walls, door, floor or windows, has been developed by the Cape Town City Planner's Department.

Mr Hans Smit, the director of Project Management Services, said yesterday that the 3m by 4.5m structure he designed comprised precast concrete posts, concreted into the ground, a galvanised iron roofing sheet over a central rafter, and an outside flush toilet and tap.

The cost of the toilet, connected to the sewerage system, was about half of the total cost.

Mr Smit said he had calculated that the total cost of the basic kit, including the labour cost of installing it, amounted to R2 794,24. Yet this did not include the R560 cost of a water meter.

"We believe that people must be provided with at least the minimum health and safety standards, so one needs a toilet, water on tap and a stable structure," he said. His prototype was 2,4m high, somewhat higher than most

shacks, also for health reasons. "We wanted to develop a prototype for the very poor, so that they can start out with plastic walls and later upgrade these to galvanised iron, blockwork, wooden infill panels, or even bricks."

Mr Smit added: "We can't claim that this is the solution to South Africa's housing problem, but we hope it is a contribution towards a solution to the problems that the very poor have in respect of access to housing."

He could not say where the prototypes might be erected.

Extended bonds a 'long-term danger'

By Jovial Rantao
and Shirley Woodgate

Homemowners attempting to beat the deepening recession by using extended bonds to finance cars or holidays have been warned they are playing with fire in the long term.

It was revealed last week by Reserve Bank governor Dr Chris Stals that banks were frustrating attempts to limit credit creation by allowing house owners to borrow against their mortgage loans for luxuries.

Coinciding with Central Statistical Service reports that more than 40 000 workers lost their jobs in four main employment sectors earlier this year, he claimed banks were pushing mortgage loans instead of hire purchase facilities for luxuries because this was more profitable for institutions.

Consumer Council assistant director Daan Kruger cautioned con-

sumers to think hard before entering into any form of debt.

Since continued consumer spending was contributing to escalating inflation, he said it was worrying that people were spending what they did not have.

Tony Leng, managing director of Information Trust Corporation, urged consumers to look at their needs and not their wants, adding: "The attitude that they were middle-class and privileged should not reinforce the desire to eat in five-star hotels and live in upmarket suburbs."

He said it was extremely unwise to use long-term finance to purchase short-term luxury items which represented a depreciating asset.

Perm Building Society public affairs manager Theo Coggin said: "We would not encourage clients to use valuable mortgage loans investments on non-essential luxuries they could not afford."

He stressed that people who decided to voluntarily increase home

loan instalments should be allowed the choice of increased flexibility as they had shown a capability to handle their finances responsibly.

Salie Marais, chairman of the Consumer Credit Association, said it was difficult to see what was wrong with drawing on paid-off bond amounts as, unlike with HP, the bank held the house as security.

Stressing that HP interest charges ranged up to 32 percent, he said this was considerably less than the 19,75 percent on home loans.

Professor Tobie van Rhyn, a member of the executive committee of the SA National Consumer Union, said consumers reserved the right, within the constraints of being responsible consumers, to choose to do whatever they wanted with their money.

He said consumers used mortgage loans for other purposes because they were overburdened with taxation, and the cost of living was soaring.

Star 6/9/91

123

Greater options for financing new homes

(123) 286 79191

DEVELOPERS and prospective owners of low cost homes have a wide and growing variety of bond financing options open to them.

That's according to Gavin Hardy, executive director, housing at Murray & Roberts Construction, who says traditionally financial institutions have been reluctant to provide bond financing below R35 000 for reasons of economic and political risk and diminished profitability.

However, recently several institutions and independent development organisations such as the Urban Foundation and Independent Development Trust (IDT) have announced or implemented innovative financing schemes designed to restore dignity by allowing individuals to purchase their first home, albeit a very modest one.

Among these schemes are the Loan Guarantee Initiative (LGI) which was developed by the Urban Foundation in conjunction with the Association of Mortgage Lenders and now run by the Home Loans Guarantee Company.

The objective of the LGI is to open the R12 500 to R35 000 sector of the mortgage bond market, particularly for "starter" homes up to 55m². This initiative is all the more significant because it expands the potential market from 10 percent of the black population to 33 percent.

The LGI encourages institutions to provide financial assistance by providing them with insurance to cover losses in the event of a default by the purchaser and the sale in execution of the property.

The LGIO's insurance is available where the borrower can provide a minimum of 5 percent deposit or an equivalent collateral guarantee; and the loan value does not exceed R35 000 (exclusive of costs).

With LGI intervention, a property package costing R30 000 breaks down as follows:

- 5 percent deposit/collateral (R1 500);
- 15 percent Deposit Replacement Collateral, a single upfront insurance premium which insures up to 15 percent of the bond depending on the deposit (R4 500);
- 15 percent Risk Replacement Collateral,

a single up-front payment which covers the institution against "political" risk (R4 500); and

- 65 percent Lender's risk (R19 500).

The major players in the initiative are Nedperm, First National Bank and Standard Bank, while Volkskas, Provincial and Allied have a very small involvement or are corporate lenders only.

To finance homes requiring loans under R12 500 ie below the minimum limit of the Loan Guarantee Fund, the IDT and UAL Merchant Bank are involved in a joint venture to raise R500 million from the private sector.

Also available from Nedperm is the Perm Salary Linked Home Loan, wherein repayments are determined as a percentage of the borrower's income. Loans (typically 100 percent) are made to employees of companies approved by the Perm.

To qualify, the borrower should earn R800 a month or more, be employed by a Perm-approved employer and be an established member of a pension or provident fund.

IF Sidney Poitier was a returning exile he'd have a ready-made part waiting for him in our local remake of his famous *Guess Who's Coming To Dinner?*, now re-named *Guess Who's Moving Into The Neighbourhood?*.

You don't need a sociological study to know that some returning exiles are using their foreign capital to buy into previously pure-white suburbs. Nor inside information that nostalgia for the rhythm of township streetlife quickly gives way to alienation and a desire to flee.

A community worker helping returnees tells me that many are more than a trifle distressed by the change and prefer to set up home anywhere, as long as it's away from township degradation and lawlessness.

Most suburbs are affected. Just check out your street, and if your neighbourhood isn't beginning to grey, it's only a matter of time before it does.

To give us our due, very little overt trauma is being displayed. We can even laugh that collective property-owner angst over black neighbours was once, in those dark days of the Old South Africa, embarrassingly expressed as fear that our new neighbours would plant mealies in the front garden instead



Janet Wilhelm

How to welcome a black neighbour

of roses. No, the new stresses have nothing to do with blacks moving in. Liberal anxiety has shifted instead to how to politely acknowledge their presence. Is it politically correct to ignore them, as you probably would if they were white?

Or do you go over and do your bit for race relations by showing the acceptable face of white guilt and being extra nice?

TAKE my friend Jenny who lives in an old Johannesburg suburb. For months a house down the street, an eyesore, the kind advertised as a renovator's dream, was on the market.

It was recently sold and completely revamped. She heard in advance that the new owner was a returned exile and she began to

agonise over what to do when they eventually moved in.

She decided she would drop in — but that was the easy part. It may be politically correct to welcome your new black neighbour — but what is the politically correct gift to take?

In trying to answer this question a vast uncharted territory opens, and there's no etiquette book on hand to help. The problem is knowing where to pitch the gift.

No-one wants to be seen over-reacting. Anything too grand and you could be accused of being patronising. Anything too trivial may seem a slight. And who would have the nerve to do something truly practical like sending over the maid or gardener to help with the unpacking.

No Miss Manners tome adequately deals with this

new dilemma and we're so self-conscious about race we prefer to pretend such social awkwardness doesn't exist. It's an atmosphere in which even that standard innocuous bottle of South African plonk gets a second, and third consideration.

For years our wine was the unacceptable apartheid gift to take abroad. But who could resist the pleasure of taking a few bottles over to lefty friends. Remember that strained look as they thought about whether it was politically correct to even drink it, or whether they would have to pour it down the drain?

THOSE days are gone. My friend finally trundled over to break the ice complete with a large bottle of red in her hand and they all drank it — without the silly indulgence of decanting it into an empty bottle of Chianti.

It could have been worse. Jenny could be living in a posher suburb where the exiled elite like the Tambos are gravitating. Adelaide Tambo has returned to our shores bearing a formidable reputation of having been no social slouch all those years in London. What could one possibly offer a woman such as this?

I hear she received a large, dark, welcoming chocolate cake.

RECEIVED TO YOUNG
LIBRARY

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No money back on land transfer fees

B/Dan 9/9/91
TOWNSHIP residents who had paid transfer fees for the conversion of their 99-year leasehold agreements into full ownership would not be reimbursed, legal experts said yesterday. The lawyers were commenting on recent legislation which provides for the conversion of all forms of black land tenure into full ownership.

(123) *(35)*
WILSON-ZWANE

In terms of The Upgrading of Land Tenure Rights Act, which came into force at the beginning of this month and forms part of government's land reform package, all registered leasehold agreements will be converted, free of charge, into full ownership or freehold, the sources said.

soon as township registers had been opened.

That process could take 18 months or more, the department said.

Most of the homes in the townships are presently occupied in terms of leasehold agreements which have been upgraded over the years from monthly tenancy to 99-year agreements.

Before the new Act, residents in townships which could grant full ownership rights had to pay R150 a site to have their leasehold agreements converted into full ownership.

SPT Housing Consultancy MD Mike Morkel said few township residents had full ownership because "only a handful of townships can presently offer full property rights".

The Act did not, however, provide for such residents to be reimbursed, the lawyers said.

Morkel estimated that only 1% of Transvaal townships could offer full property rights. The townships included Spruitview, on the East Rand, and the Soweto suburb of Naledi.

They said property owners would get the same treatment under freehold as they were getting under the leasehold. Transfer duties would not be payable, they said.

FHA Homes CE John Weaver said there was no "real" difference between freehold and leasehold. "Of course, freehold confers greater security of tenure than leasehold. But real rights of the two are identical," he said.

The Public Works and Land Affairs Department said about 200 000 registered leasehold agreements would be converted "automatically" into full ownership as

He added that from a property developer's point of view, leasehold was more attractive because "a developer is able, under leasehold, to sell and bond his product much sooner than under freehold".

Hunger strikers 'not faking'

B/Dan 9/9/91
A DOCTOR who has examined three right-wingers in Pretoria's HF Verwoerd Hospital yesterday dismissed reports suggesting the men might be faking their hunger strike.

Business Day Reporter

The doctor — who asked not be identified — said blood tests conducted more than two weeks ago showed the men were already seriously ill.

"These people are in extreme danger," he said.

Henry Martin, 49, Adrian Maritz, 43, and Lood van Schalkwyk have reportedly been without food for 61, 54 and 47 days respectively.

Their lawyer, Wim Cornelius, said yesterday he was still waiting for the Correctional Services De-

partment to make available to him the results of Thursday's tests to determine whether they had suffered permanent damage.

The men have threatened to starve to death if the tests show they have suffered permanent damage.

Cornelius said yesterday he did not know how food could have been smuggled to the hunger strikers.

Mortgage bonds may be harder to come by

SA's housing industry will continue to be battered by political and economic forces, and a reduction of available bond finance from financial institutions is possible, says incoming National Association of Homebuilders (NAHB) chairman Gavin Hardy.

"Tragically, the financial performance of most private operators is no longer satisfactory, and more industry players will be forced to withdraw from the area of greatest need — the low-cost market."

He said in a statement it was pleasing that many private and government organisations had recognised that the housing problem warranted urgent attention.

However, it was disheartening that few organisations were taking advantage of the Industrial Development Council's capital subsidy scheme and that only 9% of private company applications had been successful.

"The rationale and strategy of these allocations still has to be made public, but at this stage, they appear to illustrate the demise of the (home building) industry on the private front," he said.

Hardy said the building industry would have to steer carefully through its current problems in order to meet the challenge of building one million homes and providing two million serviced sites.

A major problem is that building costs

have continued to outstrip the inflation rate. Estimates put the rate at 25% despite a significant drop in building activity.

Camdon's marketing director Bryan Hossack said the recession should have encouraged a drop in costs to stimulate demand. "But instead costs are increasing... it simply means increases are being used to compensate for a shrinking market."

Hossack said VAT concessions would cushion a decline in building activity, but stressed that this would be short lived and activity could peter out again after March.

Ileo Homes financial director Warwick Lombard said future building prospects were difficult to assess accurately.

Black housing development has been hindered by political unrest and adverse economic conditions, which has seen developers re-consider their plans to expand into this market.

However, institutions and independent development organisations have designed schemes to open the R12 500-R35 000 sector of the mortgage bond market, according to a Murray & Roberts Construction spokesman.

The spokesman said new schemes would expand the potential market from 10% of the black population to 33%.

B | Day 9/9/91
MARC HASENFUSS

Residential rents keep on climbing

By MAGGIE ROWLEY
Property Editor

RESIDENTIAL rents have risen by a staggering 65% in the past three years and further increases are on the cards, warns Neville Schaefer, group MD of H Lewis Trafalgar.

However, he said while the "affordable" rental market (around R900) remained buoyant the top end (R1 600 upwards) was slowing down.

"If people can afford this rent they would rather buy," he said.

H Lewis Trafalgar, the largest sectional title development company in the country, has been involved in residential letting in Cape Town for nearly 50 years and has recently opened two additional sales offices in the Western Cape.

Schaefer said at the end of 1984 it became increasingly difficult to let flats and

by June 1985, 50 of the 7 000 units in their portfolio were standing empty with rents as above R350 being difficult to achieve.

"The market slumped further in August 1985 and vacant units on our books rose to 70 and landlords became extremely anxious.

"As a result we were instructed to offer incentives to attract tenants including a month rent-free, staggered or no deposits and reduced rents.

"Most buildings in our Cape national portfolio did not increase their rents between 1986 and 1987 but by January 1988 the market had recovered strongly, particularly on the Atlantic side — and rents were increased by between 10 and 12%."

The shortage in the supply of flats was, he says, first evident in December 1988. By January the following year demand outstripped supply pushing rents up by as much as 15% every six months.

"This trend, aggravated by so many buildings being sectional titled, is continuing."

Schaefer said rentals presently being asked for sectional title units were beyond the means of most breadwinners.

"For example, two-bedroomed flats in Sea Point, Durban's Berea and Johannesburg's Sandton are fetching R1 000, R900 and R1 400 a month respectively.

"This has led to an increased demand for bachelor and one-bedroomed flats. A bachelor unit in Sea Point is presently fetching around R500 a month."

He said many investors had moved back into the property market due to the growth in capital investment that could be achieved, particularly on smaller units.

The removal of the Group Areas Act had not impacted dramatically on the demand for rented units, he said, but had contributed to the increase in sales of flats.

123 CT 9/9/91

Transfer fees 'not refundable'

JOHANNESBURG. Township residents who had paid transfer fees for the conversion of their 99-year leasehold agreements into full ownership would not be reimbursed, legal experts said yesterday.

The lawyers were commenting on recent legislation which provides for the conversion of all forms of black land tenure into full ownership.

In terms of the Upgrading of Land Tenure Rights Act, which came into force at the beginning of this month and forms part of government's land-reform package, all registered leasehold agreements will be converted, free of charge, into full ownership or freehold, the sources said.

Before the new Act, township residents which could claim full ownership rights had to pay R150 a site to have their leasehold agreements converted into full

ownership. The Act did not, however, provide for such residents to be reimbursed, the lawyers said.

The Public Works and Land Affairs Department said about 200 000 registered leasehold agreements would be converted "automatically" into full ownership as soon as township registers had been opened.

That process could take 18 months or more, the department said.

Black housing plans under fire

Star 9/9/91 123

While the number of homeless black families reaches crisis levels, the World Bank has hammered South African housing policy as hopelessly inefficient and full of contradictions and duplications. It has advised the planners to go back to the drawing board in earnest, reports MICHAEL CHESTER.

SOUTH Africa's housing policy is in a shambles, according to the World Bank. Planners have been urged to undertake a radical rethink about multimillion-rand proposals on how to tackle the massive black housing shortage.

Current schemes may be on the wrong track, says a confidential report compiled by a team of experts sent on the first of a series of "reconnaissance missions" from the World Bank to study urban development in a post-apartheid society.

The hard-hitting report warns: "The present structure for formulating and implementing housing policy is hopelessly inefficient, contradictory and duplicative."

"Concrete proposals for reform should be made as early as possible."

"Not even the Independent Development Trust (IDT), launched last year with a R2 billion grant to serve in the vanguard of black socio-economic advancement, has escaped criticism."

"At present," says the World Bank, "the housing sector in South Africa is highly distorted, with major implications for the

performance of the economy, the economic efficiency of the cities, the economic welfare of non-whites, and the performance of the housing sector itself.

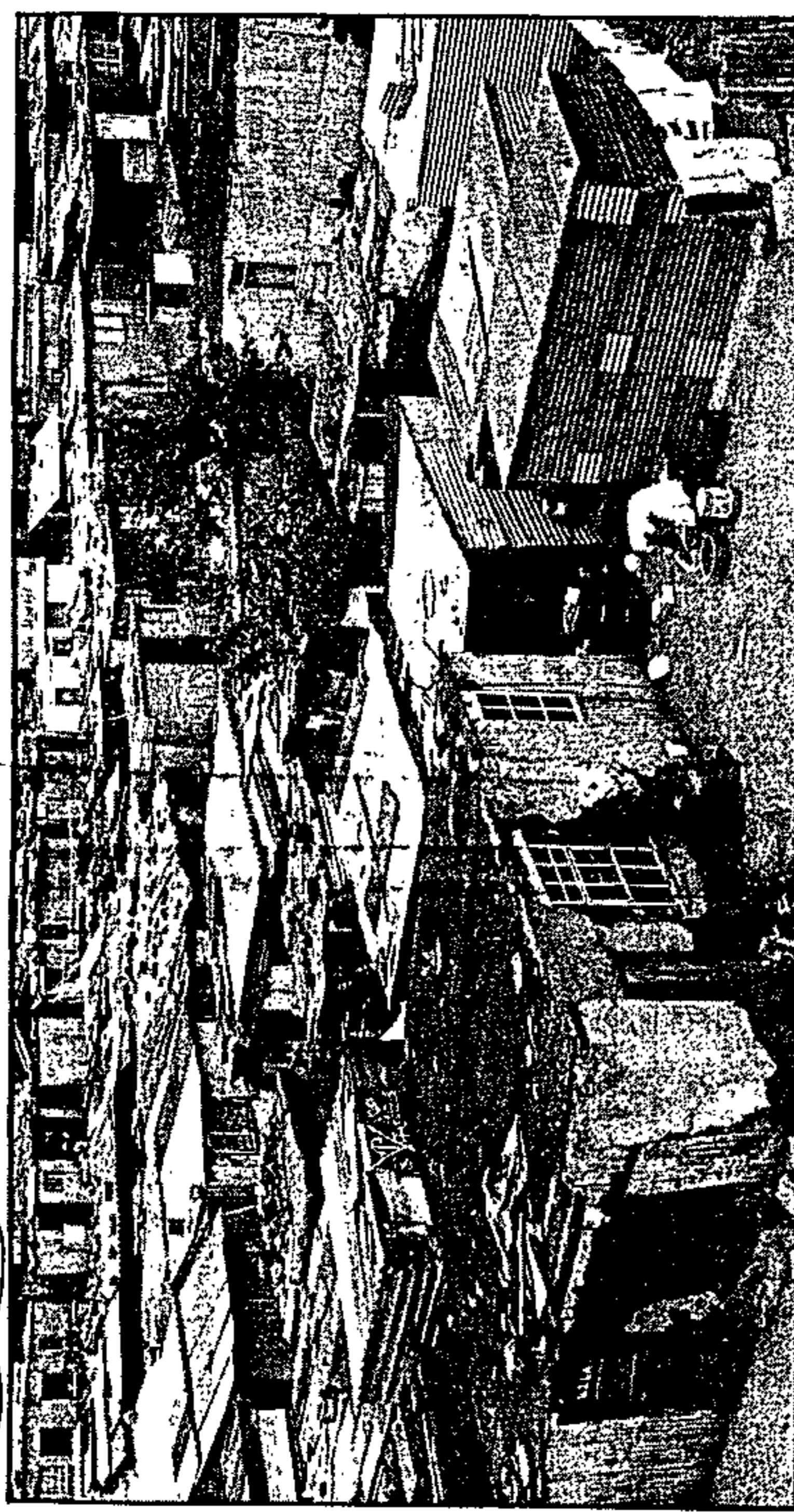
"The key feature of this distortion is the spatial segregation of different racial groups within cities. The benefits of correcting this problem have implications that far transcend the housing sector."

One of the first priorities, it argues, should be far better land use and closer integration of white and black areas — with vast improvements in the planning of new residential zones interwoven with shopping centres and business operations.

A main objective should be to cut down the high transport costs — as well as the countless hours taken in travel time — that burden black commuters forced to live far away from their jobs by former apartheid laws.

The researchers found instances where the cost of transport in household budgets was even higher than housing and electricity costs combined.

New approaches were needed in town planning to ensure



Housing crisis... In the PWV zone as many as 380 000 families are crowded into backyard shacks in the townships.

tended for the upgrading of informal settlements earmarked for impoverished black families with incomes below R1 000 a month.

A major point of World Bank criticism is that the IDT intends to pay each R7 500 subsidy to the developer of the particular site — rather than pay subsidies directly to homeless families.

The critics say they base their view on international experience with the effectiveness of subsidy programmes.

For example, experience in Chile showed that when negotiable subsidy certificates were issued directly to beneficiaries, families had greater freedom about selection of location — and what sort of shelter they decided on.

In turn, home builders had to compete to win contracts — and vigorous competition ensured that unit costs had to stay low.

There had been considerably less success in countries which channelled subsidies through developers, which could raise the risk of widespread graft and payment of bribes to developers and officials.

The advice of the World Bank to seek a far broader spread of benefits from housing subsidies — even if it entailed a thinner spread — was clearly influenced by discoveries about the magnitude of the housing problem.

The researchers found that in the PWV zone alone as many as 380 000 black families were crowded into backyard shacks

scattered around small houses in the townships.

Another 250 000 families were packed into garages and out-buildings. Yet another 100 000 families survived in freestanding units in squatter settlements.

The overcrowding suffered by many black families was also underlined when comparisons were made of the average residential living space at the disposal of each person — depending on the racial group.

Each white person enjoyed an individual average living space of 33,2 sq m at home. The number of square metres per person shrank to 18,2 in the Asian community and down to 1,2 for members of coloured families.

In the black community, the average plummeted to 0,9 in formal housing and all the way down to 0,8 in backyard shacks, and barely 0,2 in squatter settlements.

Massive Government intervention to cure the problem by the provision of completed houses, or at the very least serviced sites, looked likely to cost R6,4 billion a year — over a sustained period.

However, the World Bank adds: "When thinking about housing policy in South Africa during the upcoming transition, it is important to consider more than simply whether or not the country can afford to allocate 5 percent or more of gross national product towards housing."

"The real issue is whether or not the country can afford not to put in place a sustainable system of housing delivery." □

more freedom for black families about where they choose to live — with the provision of jobs and community services near at hand.

Freedom to select the location of new homes, as well as freedom to select the type of dwelling each family selected, emerges as one of the issues that has brought the World Bank to loggerheads with the

be aimed at casting a far wider net to provide better services — even if subsidies had to be spread in thinner layers to reach a bigger proportion of homeless black families.

"Proposed levels of subsidies implicit in the current IDT plan, and the standards associated with them, appear to be higher than would be desirable if the goal is to reach the broad-

est population of eligible households," says the World Bank report.

Limited public-sector funds would make a far greater overall impact if they aimed at broader rather than deeper schemes of subsidisation.

The IDT scheme, unveiled in March, envisages capital subsidies of R7 500 on the selling price of each serviced site in-

the IDT.

The World Bank suspects that the IDT, too, may be on the wrong track with its R750 million capital subsidy scheme to create at least basic serviced sites for 100 000 homeless black families.

It says the scheme, as designed at the moment, should be re-evaluated.

Instead, it says, funds should

be aimed at casting a far wider net to provide better services — even if subsidies had to be spread in thinner layers to reach a bigger proportion of homeless black families.

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Housing plan gets nod despite censure

Star 9/9/91

By Michael Chester

The Independent Development Trust (IDT) has confirmed that it is pressing ahead with its R750 million subsidy scheme to tackle the massive black housing shortage — despite cautions from the World Bank that the plan should be redesigned.

The IDT said at the weekend that the first allocations from the subsidy package were expected to be approved within the next few days to start the flow of funds to new housing developments across South Africa.

The scheme was going ahead regardless of advice from the World Bank that it should be "re-evaluated".

The advice was in a report that warned South African planners: "The present structure for formulating and implementing housing policy is hopelessly inefficient and contradictory."

IDT chairman Jan Steyn said the trustees were undeterred by World Bank criticisms about the way subsidies would be handed over to housing site developers rather than directly to homeless families.

As originally planned, the R750 million would be shared among developers, who would in turn cut R7 500 from the cost of each serviced site transferred to families qualifying for grants.

It was envisaged that the



Undeterred . . . Jan Steyn.

scheme would ultimately provide 100 000 basic housing sites for the poorest section of blacks.

The World Bank has argued that international experience showed that schemes which handed subsidies directly to homeless families had been far more effective than when grants were made to developers, which, it warned, could raise the risk of graft and bribery.

Participation

Also, the World Bank has explained that it favoured the alternative of direct payment of subsidies to homeless families because it enabled them to make their own decisions about what sort of shelter they preferred and where they wanted to be located — in turn leading to more competition between builders to win contracts.

Mr Steyn has replied: "Conditions differ from one country to the other, and interventions have to accommodate local sensitivities and needs."

Moreover, the IDT had made it mandatory that its consultants ensured full community participation in negotiations going on at a nationwide network of 108 developments.

Also, less than 10 percent of allocations would go to commercial developers — the rest would be in the hands of community-based initiatives.

Moreover, decisions had to be taken in the absence of a comprehensive national housing policy, which was still being formulated by the De Loor Commission.

"If we had waited for the formal enunciation of such a policy," said Mr Steyn, "it would have meant a delay of years in redressing some of the intolerable conditions under which so many poor South Africans live."

"The capital subsidy scheme alone cannot solve the housing problem in South Africa, but it is a beginning."

"When we obtain the additional funding we anticipate from within and outside the country, we shall take the process further."

The IDT was disappointed that it had not even been consulted by a World Bank team that carried out the special study of South Africa's urban development policies.

● Black housing plans under fire — Page 11

World Bank hammers SA housings, calls for rethink

(23) ARG 9/1/91

MICHAEL CHESTER
The Argus Correspondent

JOHANNESBURG. — While the number of homeless black families reaches crisis levels, the World Bank has hammered South African housing policy as hopelessly inefficient and full of contradictions and duplications.

Housing policy in South Africa is in a shambles, according to the World Bank. Planners have been urged to undertake a radical rethink about multi-million-rand proposals on how to tackle the massive black housing shortage.

Current schemes may be on the wrong track, says a confidential report compiled by a team of experts sent on the first of a series of "reconnaissance missions" from the World Bank to study urban development in a post-apartheid society.

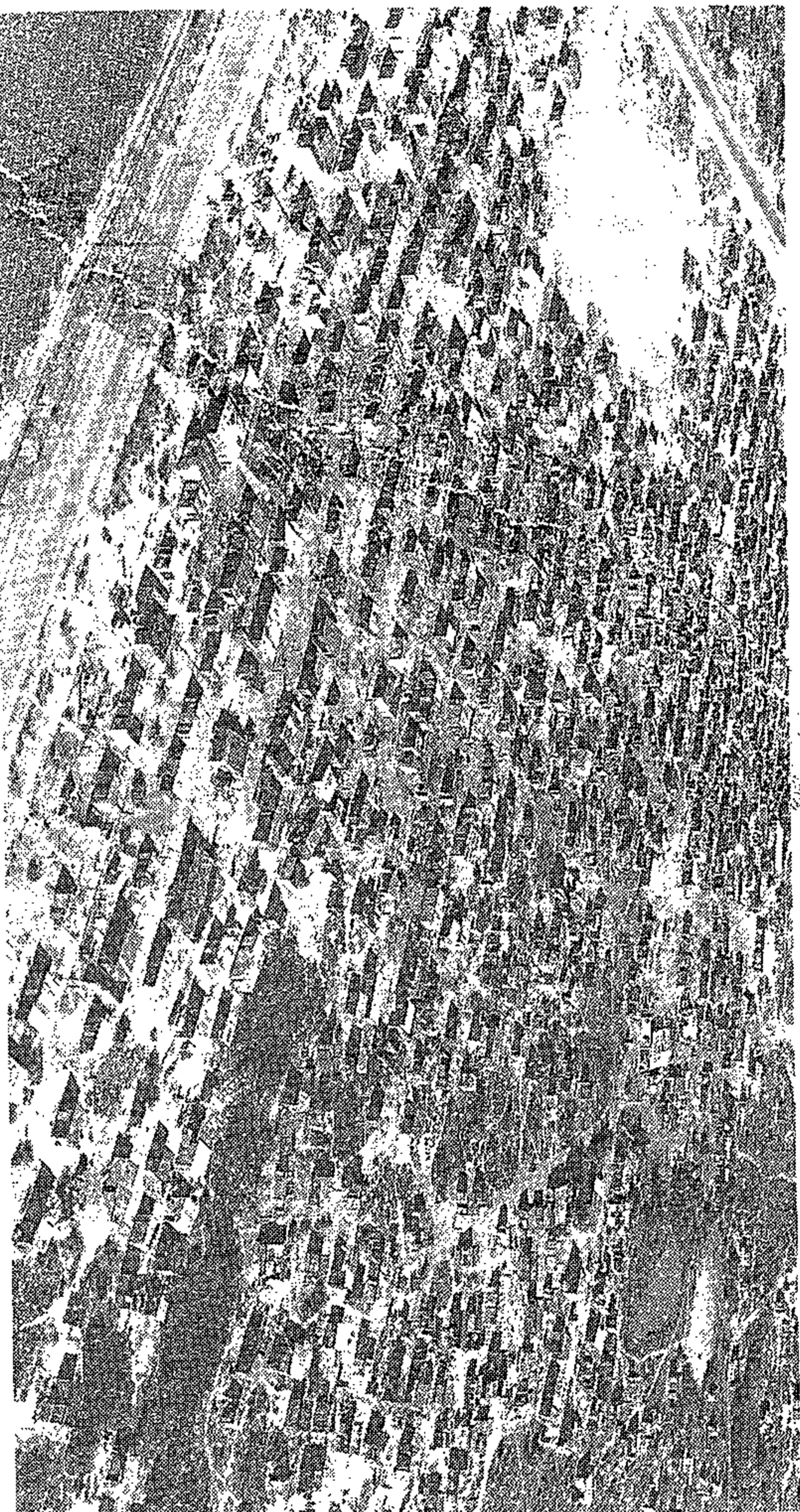
The hard-hitting report warns: "The present structure of formulating and implementing housing policy is hopelessly inefficient, contradictory and duplicative."

"Concrete proposals for reform should be made as early as possible."

Not even the Independent Development Trust, launched last year with a R2 billion grant to serve in the vanguard of black socio-economic advancement, has escaped criticism.

"At present," says the World Bank, "the housing sector in South Africa is highly distorted, with major implications for the performance of the economy, the economic efficiency of the cities, the economic well-being of non-whites and the performance of the housing sector itself."

"The key feature of this distortion is the spatial segregation of different racial groups within cities. The benefits of correcting this problem have implications that far transcend the housing sector." One of the first priorities, it



HOUSING OF SORTS: An aerial view of one of the many squatter settlements that dot South Africa... there is order of a kind in that there are "streets" between the shacks and the odd dwelling here and there is made of material more substantial than corrugated iron.

argues, should be far better land use and closer integration of white and black areas — with vast improvements in the planning of new residential zones interwoven with shopping centres and business operations.

A main objective should be to cut down the high transport costs — as well as the countless hours taken in travel time — that burden black commuters, forced to live far away from their jobs by former apartheid laws.

The researchers found instances where the cost of transport in household budgets was even higher than housing and electricity costs combined.

New approaches were needed in town planning to ensure more freedom for black families about where they chose to live — with the provision of jobs and community services

near at hand.

Freedom to select the location of new homes, as well as freedom to select the type of dwelling each family selected, emerged as one of the issues that has brought the World Bank to loggerheads with the IDT.

The World Bank suspects that the IDT, too, may be on the wrong track with its R750 million capital subsidy scheme to create at least basic serviced sites for 100 000 homeless black families.

It says the scheme, as designed at the moment, "should be re-evaluated".

Instead, they say, funds should be aimed at casting a far wider net to provide better services — even if subsidies had to be spread in thinner layers to reach a bigger proportion of homeless black families.

"Proposed levels of subsidies implicit in the current IDT plan, and the standards associated with them, appear to be higher than would be desirable if the goal is to reach the broadest population of eligible households," says the World Bank report.

Limited public sector funds would make a far greater overall impact if they aimed at broader rather than deeper schemes of subsidisation.

The IDT scheme, unveiled in March, envisages capital subsidies of R7 500 on the selling price of each serviced site intended for the upgrading of informal settlements earmarked for impoverished black families with incomes below R1 000 a month.

A major point of World Bank criticism is that the IDT intends to pay each R7 500 subsidy to the developer of the par-

ticular site — rather than pay subsidies direct to the homeless families.

The critics say they base their view on international experience with the effectiveness of subsidy programmes.

For example, experience in Chile, South America, showed that when negotiable subsidy certificates were issued direct to beneficiaries, families had greater freedom about selection of location — and what sort of shelter they decided on.

In turn, home builders had to compete to win contracts — and vigorous competition ensured that unit costs had to stay low.

There had been considerably less success in countries which channelled subsidies through developers, which could raise the risk of widespread graft

and payment of bribes to developers and officials.

The advice of the World Bank to seek a far broader spread of benefits from housing subsidies — even if it entailed a thinner spread — was clearly influenced by discoveries about the magnitude of the housing problem.

The researchers found that in the PWV zone alone as many as 380 000 black families were crowded into backyard shacks scattered around small houses in the townships.

Another 250 000 families were packed into garages and outbuildings. Yet another 100 000 families survived in freestanding units in squatter settlements.

The overcrowding suffered by many black families was also underlined when comparisons were made of the average residential living space at the disposal of each person — depending on the racial group.

Each white person enjoyed an individual average living space of 33,2 sq m at home. The number of square metres per person shrank to 18,2 in the Asian community and down to 12 for members of Coloured families.

In the black community, the average plummeted to 8,9 in formal housing and all the way down to 4,8 in backyard shacks and barely 4,2 in squatter settlements.

Massive government intervention to cure the problem by the provision of completed houses, or at the very least serviced sites, looked likely to cost R6,4 billion a year — over a sustained period.

However, the World Bank adds: "When thinking about housing policy in South Africa during the coming transition, it is important to consider more than simply whether or not the country can afford to allocate 5 percent or more of gross national product toward housing."

"The real issue is whether or not the country can afford not to put in place a sustainable system of housing delivery."

Threat to low-cost housing

Financial institutions may reduce the bond finance they make available for the housing market.

At the same time, the financial performance of most private operators is no longer satisfactory and more industry players will be forced to withdraw from the area of greatest need — the low-cost housing market. This is the message

123
from Gavin Hardy, incoming chairman of the National Association of Homebuilders.

10/9/91
In his first newsletter to members Mr Hardy says: "If the private sector is to be an effective player in the housing arena, then the entire NAHB membership core will have to become more proactive.

"It is encouraging that many private and Gov-

ernment (or quasi-Government organisations) have re-examined their priorities in the past months and recognised that the housing problem requires co-operation at all levels, as well as urgent attention.

"It is essential that communities be thoroughly canvassed and involved at each stage of the development process," he says.

Winnie ^{CR 11/9/91}
'was never
removed'

Political Staff

THE ANC went out of its way yesterday to say that Mrs Winnie Mandela had never been removed from her post as head of its department of social welfare.

"Comrade Winnie Mandela has not been reinstated, as she was never removed, and it is the channel of accountability and responsibility to the national working committee that has been streamlined," it said.

It was the ANC's considered view that stories that she had been reinstated were "a gross misrepresentation of the actual process and structure of the ANC".

The statement said that, in terms of the restructuring announced earlier this week, Ms Cheryl Carolus remained head of health and human resources. — Sapa

IDT gave R1,5bn to 150 projects

(125) CR 11/9/91

By BARRY STREEK
Political Staff

THE Independent Development Trust (IDT) had allocated R1,48 billion to 150 projects during the first 12 months of its existence, its executive director, Mr Jan Steyn, said yesterday.

The trust, which began operations in August 1990 with a R2 billion grant from the government, had also earned R332 million in interest and capital growth, a yield of 17,8%, by the end of June this year, Mr Steyn said in the IDT's first report.

A subsidiary company, IDT Finance Corporation, had been launched to address the need to finance houses and it had secured the first tranche of R120 million from eight institutions.

The IDT aimed to raise R500 million from the private sector

for low-cost housing with a new instrument called Collateralised Housing Investment Paper (Chips), which had been developed with UAL Merchant Bank.

However, Mr Steyn said: "I must confess to some disappointment at the reluctance of private enterprise to think imaginatively in developing and exploiting opportunities to participate in activities which do, perhaps, carry extra risk but which are nevertheless defensible and, in a long-term evaluation, most certainly in the national, and business's own, interest."

Remarkable

But he expressed his appreciation to particularly the Private Sector Initiative to which leading companies had contributed some R550 million.

Mr Steyn said the IDT had

achieved some remarkable results in its first year.

"In the fractured and often violent environment in which we have had to operate, our support base has grown.

Although the IDT's objectives were to break the cycle of poverty and promote self-reliance, it wished to do that through existing agencies, not do it themselves.

The trust's operations had to be structured in such a way that those who benefitted had a sense of ownership of the achievements.

"As a term, community participation is both little understood and much abused."

The pressure on the trust to select projects and invest funds was immense but it was determined not to be injudicious or indiscriminate in making its investments, Mr Steyn said.

Star 11/9/91.
VAT will not
increase clay
brick prices

Finance Staff ~~11/9/91~~

The introduction of VAT will not increase clay brick prices and in turn will not influence prices of building and construction work, according to the executive director of the Clay Brick Association, Leon De Bruin (123)

He was responding to recent claims made by the National Association of Home Builders that the cost of a new home could increase by between 5 and 8 percent as a result of VAT. ~~11/9/91~~

"Preliminary calculations on hand indicate that in most cases VAT will not affect the price of clay bricks.

"In fact one of the Association's members claims a small decrease in their brick prices upon the introduction of VAT.

"Calculations indicate that savings do occur because most brick makers mine their own clay".

Substitute brick products such as cement brick and blocks could increase as a result of VAT said Mr De Bruin.

World Bank slams housing policy

THE World Bank has attacked the South African housing policy as hopelessly inadequate and full of inconsistencies and counterfeits.

According to the bank, planners have been urged to undertake a radical rethink about multimillion-rand proposals on how to tackle the massive black housing shortage.

Present schemes may be on the wrong track, says a confidential report compiled by a team of experts sent on the first of a series of "reconnaissance missions" from the bank to study urban development in a post-apartheid South Africa.

The bank says concrete proposals for reform should be made as early as possible because the

present housing sector is highly distorted.

The vital feature of this distortion is the spatial segregation of different racial groups within the cities.

The benefits of correcting this problem have implications that far transcend the housing sector.

It contends that the priority should be land use and close integration of whites and blacks and vast improvements in the planning of new residential zones interwoven with shopping centres and business operations.

The main objective should be to cut down the high transport costs - as

well as the countless hours taken in travel time - that burdens black commuters who are forced to live far from their jobs by defunct apartheid laws.

However, the Independent Development Trust has confirmed that is going ahead with its R750-million subsidy scheme to tackle the acute shortage of black housing, despite the bank's proposals.

It said that the first allocation from the subsidy package was expected to be approved within the next few days to start the flow of funds to new housing development in the country.

It said that the plan was going ahead regardless of advice from the bank that it should be redesigned.

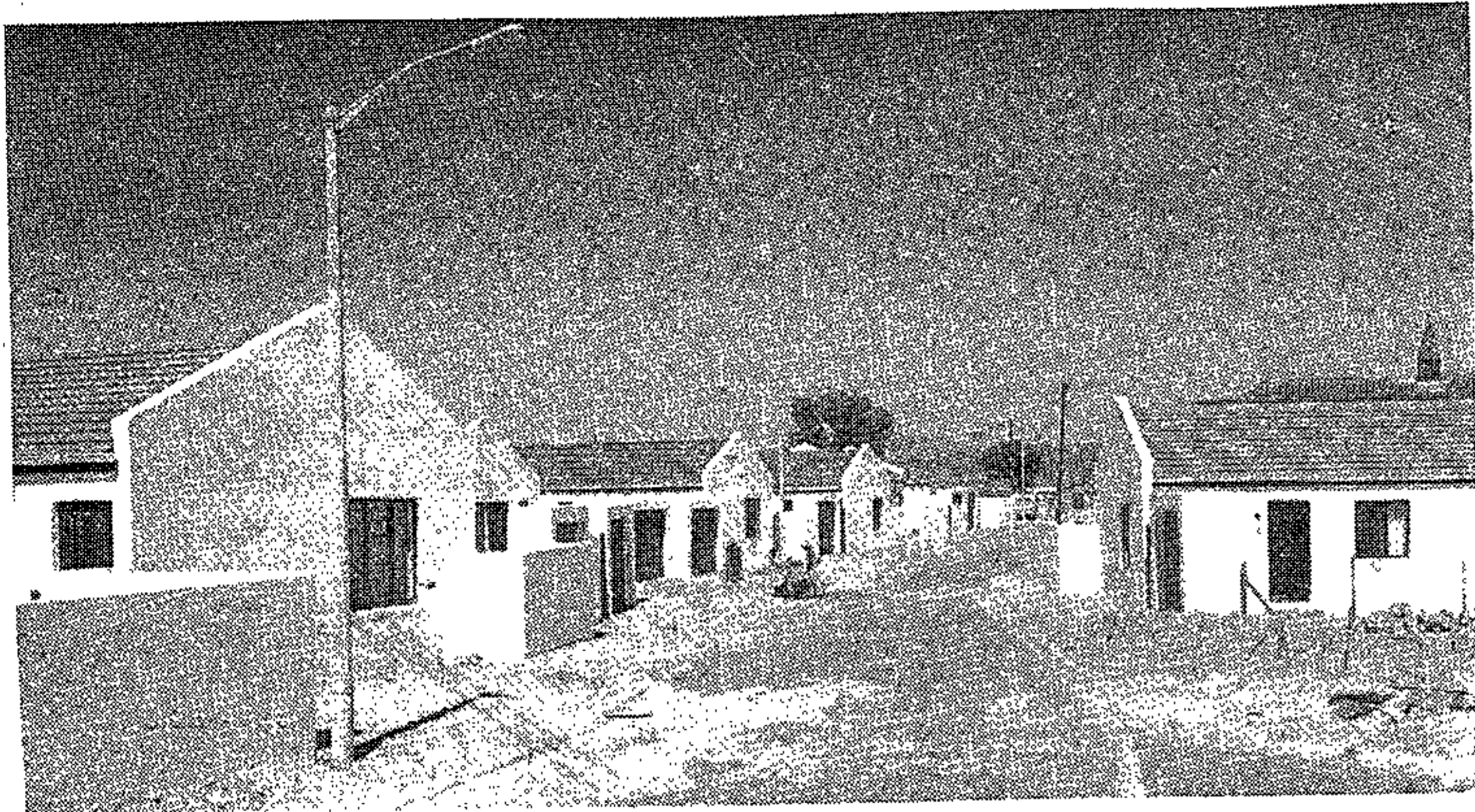
By JOSHUA RABOROKO

Sowetan 12/9/91

123

SOWETAN FOCUS PROPERTY

Building the Nation



Sales of residential property by auction will gain in popularity as the market changes.

Auctions 'are likely to gain in popularity'

Sowetan 12/9/91 (123)

By JOSHUA RABOROKO

SALES of residential property by auction will gain in popularity in response to changing market sentiment, says Camdon group managing director Mr Scott McRae.

He says until now, auctions have been limited mainly to the disposal of deceased estates.

The market is now ripe to bring auctions into the sales process upfront.

Worldwide, the auction method of sales is by far the preferred technique, he says.

Market

"There is a 90 percent success rate for properties brought to market by auction in Brisbane, Australia, for instance - compared with only 30 percent successful sales by conventional means in South Africa at the moment.

"The auction method is also rapidly growing in the United Kingdom. The South African market is very similar to these and other parts of the world where auction selling is the more understood," he adds.

He believes the auction works for both parties.

"The seller gets a market related price and the buyer knows he is not over-paying relative to the market value of the property.

A major attribute of the method is that it works fast. This is particularly relevant in the current market where the length of time to a successful sale is getting longer.

The traditional methods of property selling are still effective. However, his view is that the auction is the most effective methods of determining the true market value of a given property.

And once an auctioned property is sold, it stays sold, as the buyer is committed.

Competition

Often a sale is concluded before the auction. The very fact of placing a property on auction spurs buyers. The seller has the assurance that if the auction price does not meet the reserve price, he may withdraw the property.

The auction methods removes the price objec-

tion to the sale and creates competition.

"The auction method of selling converts property into the most money in the shortest period of time.

"The prices which the public are asked to pay are the highest prices which those who bid can be tempted to offer by the skill and tact of the auctioneer under the excitement of open competition.

The buyer, on the other hand, is assured that the property is genuinely up for sale and that the price he is paying is an accurate reflection of what the market is prepared to pay.

South Africans are ready for a new approach to property marketing.

Method

The auction method is fast and simple. Auctions held by Camdons have proved highly successful.

The issue of the auction method of sale came up prominently at the recent Camdon's management conference, he says.

It was apparent from feedback at the conference that the auction method of sale is beginning to come to the fore as an alternative sales approach.


i-Perm Home Line, uma udinga ongancika kuyena.



Mayelana namaphupho namathemba awo wonke umuntu onesifisio sokuzithengela indlu noma ukwakha, singakhohlwa yilowo ofuna ukulondolozela kona belu ukwakha.

Lalela uhlelo i-Perm Home Line ku-Radio Zulu njalo ngolwe-Sine wesibili phakathi kuka 8 no 9 kusihlwa, lapha uzokuzwa u-Sjula Mnisi nezinye izingcwethi, bephendula yonke imibuzo ongaba nayo. Ukuthenga, ukwakha, ukuthola izimali, ama-diphozi nokuningi.

Ngakho-ke lalela uhlelo i-Perm Home Line ngoLwesine ushayele kulenombholo yocingo, (011) 714-8030 uma unombuzo. Thembela kubona, bona-ke bazokusiza ngezinkinga ezimayelana nokuzitholela indlu.

 Perm Home and Savings
Uma udinga ongancika kuyena.

Edendale project goes ahead against the odds

SOWETAN FOCUS PROPERTY

Building the Nation

Last-minute rush to beat VAT rise

THERE will be a last-minute rush into residential property to beat the introduction of VAT, followed by a boost in prices for existing housing, according to predictions by experts.

"As the September 30 deadline approaches, we are seeing an upturn in the tempo of inquiries as awareness grows that savings of about seven to 10 percent on residential property prices will be possible if the sale goes through in

Sowetan 12/9/91

By JOSHUA RABOROKO

time," says Camdon's director, Mr Bryn Hossack.

The seven percent Hossack alludes to is in respect of the taxation, for the first time, of the contractor's services, after September 30. Under the old GST system, only the raw materials were taxable.

The re-sale of secondhand homes will increase in sympathy with the increased cost of constructing new homes due to VAT,

he predicts.

"While an existing home obviously does not have the VAT factor built in as it were, the general effect of VAT will boost housing prices on to another level.

"The prices of existing homes will be caught up in the spiral although they will still maintain their traditional lower price gap relative to new homes.

Based on the 12 percent VAT rate on the labour and profit factor in new-house construction, the additional

tax due on a R100 000 house, on which about R40 000 is building materials, would be R7 200.

All homes sold by a developer or by a registered enterprise will become "Vatable", points out Hossack, irrespective of whether the sale is part of an enterprise's mainstream business or not.

He said every purchaser of property from a developer will be charged with VAT, irrespective of the nature of the property.

The newly-built property bought from a developer will therefore be more expensive and re-sale properties sold by enterprises will also be Vatable.

The good news is that private second-hand residential property sales will not be taxed.

"There may well be a breathing space before re-sale prices begin to move upwards. But they will rise in due course in sympathy with the increased cost of new construction brought about by taxation of labour, materials and profit.

"The market price of second-hand private residences will increase, the only question being the timing of that increase," he added.

"For new homes, any contract signed before September 30 escapes VAT, provided the property is complete in every respect.

"For existing home, my own guess would be that buyers will begin to see the spin-off effects on prices by the end of the year."

Prospective property owners would therefore be well advised to go ahead with their plans before VAT is introduced, he added.

For those who already own property, the introduction of VAT will, in due course, effectively give them a seven percent or so "bonus" on the value of their property, courtesy of the Government.



The value of existing homes will rise by at least 7 percent when VAT is introduced later this month.

Influx of immigrants 'has a positive effect'

Sowetan 12/9/91

By JOSHUA RABOROKO

THE lifting of sanctions and the increased influx of immigrants has had a markedly positive effect on the mood of the property market, says the managing director of Camdons Group, Mr Scott MacRae.

He was "extremely optimistic" about prospects for the market in spite of the poor performance of the economy.

Many people who had left the country were returning to South Africa and overseas companies, individuals and governments were in the market for properties.

The unrest had little impact on prices and there was no comparison to be made with the current climate as opposed to 1976 when, as he put it, "I was heavily involved in the property market and had a hotline going to Australia.

Consequently, he did not agree that it was a buyers' market at the moment.

South African properties were still discounted in price compared with their overseas

counterparts and this implied considerable leeway for further price rises.

Sellers in the current market were "not very negotiable."

"The message therefore is buy now. Homes will not become any less expensive and anything bought today will be tomorrow's bargain as prices will continue to rise," MacRae said.

Overseas property markets in the United Kingdom, the United States and Europe were "dead" at the moment, basically because

of the inflation rates.

"The opposite is true of South Africa where our high inflation rates give investors an excellent capital gain. Sellers have therefore done well in recent years."

Scrapping of the Group Areas Act had little effect on the market in that blacks had been buying properties in white areas before the Act was rescinded.

A drop in interest rates would give the market an additional boost but he did not expect this to take place before the first half of 1992.

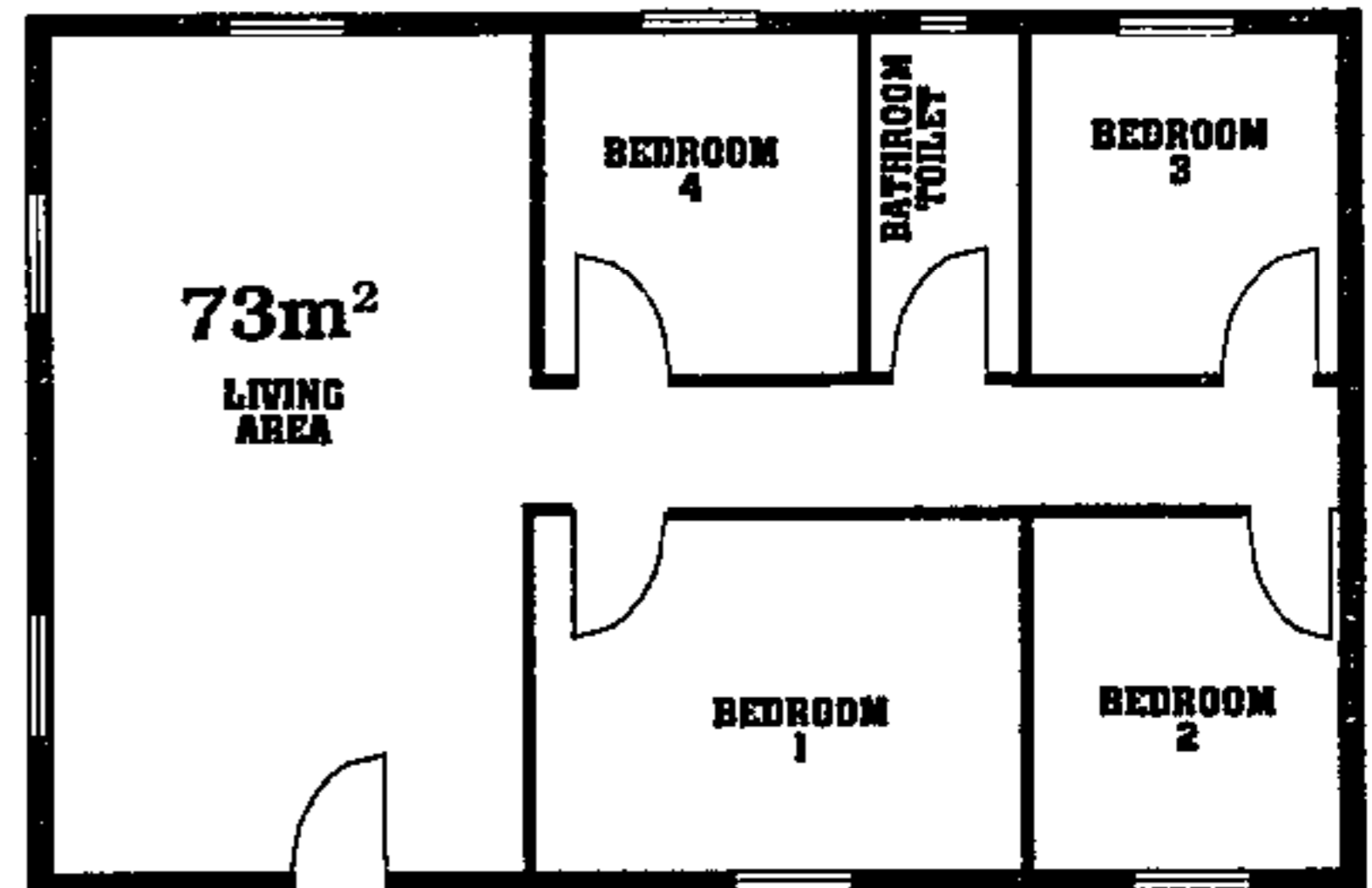


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R750-m plan for homeless defended

(123)
RAG 12/9/91

SHARON SOROUR, Staff Reporter

THE Independent Development Trust (IDT) has hit out at the World Bank's criticism of its R750 million subsidy scheme to help 100 000 homeless South Africans buy serviced sites.

In a recent World Bank economic report on South Africa, the country's urban housing policy was slammed as "hopelessly inefficient, contradictory and duplicative."

While the World Bank welcomed a "well-targeted capital subsidy scheme", it suspected the IDT was on the wrong track and said that the scheme — which is about to be implemented — should be re-evaluated.

Expressing disappointment that the World Bank had not consulted the IDT in compiling its report, Trust chairman Mr Jan Steyn said the criticism had left the organisation undeterred.

He said that the World Bank's response was "on the whole ... positive." However, he was confident that "we would have arrived at even greater consensus" had they had the opportunity for a thorough discussion.

The IDT scheme, launched in March, comprises a R7 500 once-only grant issued when a serviced site is transferred to a beneficiary. To qualify, homeless people must be over 21, have dependants living with them, earn less than R1 000 a month, be a first-time property owner and not receive any form of State housing subsidy.

A major point of World Bank criticism was the decision to route the subsidy scheme through developers rather than pay it directly to beneficiaries.

The World Bank based its view on international experience of the effectiveness of subsidy programmes, favouring a programme in Chile where subsidy certificates were issued directly to beneficiaries, allowing families more freedom to select the location and decide on the kind of shelter.

Mr Steyn pointed out that less than

10 percent of allocations were made to "what could be described as commercial developers" and the programme had given the IDT the opportunity to support community-based development initiatives, giving greater decision-making powers to local communities.

"Communities will participate in the scheme and make the final decision about the allocation of the subsidy amount. For example, if R2 500 per site is not taken up in servicing the site, the community involved will decide on whether the balance goes to the individual to buy building materials or into a community fund for facilities like halls or creches," Mr Steyn said.

Responding to the Chilean system favoured by the World Bank, IDT housing director Mr Ben van der Ross said he doubted "strongly" that it was suitable in South Africa.

The IDT believed this system might "lock" recipients of the subsidy into a limited, establishment-based range of housing developments.

There would be less community involvement and participation than in the IDT's scheme and there was a danger of perpetuating "inappropriately-located development which would reinforce the apartheid model", Mr Van der Ross said.

The World Bank report also said funds should be aimed at casting a far wider net to provide better services as the standards of the IDT plan were too high.

But Mr Van der Ross said the IDT's standards were "a benchmark, not a directive."

Mr Steyn said the IDT was mandated to move quickly on housing relief for low-income breadwinners.

"The scheme evolved from investigations conducted by a range of agencies, including the Private Sector Council, the Urban Foundation and the Development Bank, the government and some of the country's leading consultants," said Mr Steyn.

HOUSING



Pictures: HANNES THIART, The Argus.

PAPER HOUSE: It may look like a conventional house but it's made from a mixture of recycled paper and cement.

Inventor claims 'recycled' houses may help solve crisis

SORCHA VASEY, Staff Reporter

HOUSES made from recycled paper and cement could help ease the housing crisis, says their inventor, Mr Rex Lowe of Kommetjie.

He has patented a design for the low-cost houses after working on the project for almost four years and says a basic 30 sq m three-roomed unit without water or electricity can be built for R8 000.

"The Japanese have always lived in houses made of paper so I thought why shouldn't South Africans do the same thing," Mr Lowe said.

"The fibre cement is made out of recycled paper, concrete and a few minor ingredients. The paper is pulped then mixed with cement and pressed into panels."

The first paper-and-cement house was built in Kommetjie almost two years ago and three more have gone up in Cape Town and Randburg.

"They are considerably cheaper than conventional houses. One of the reasons is the method we use to erect them," said Mr Lowe.

Instead of laying brick on brick, two fibre cement panels are placed beside each other forming a hollow panel. Cement is poured into the cavity. The walls are plastered using conventional methods.

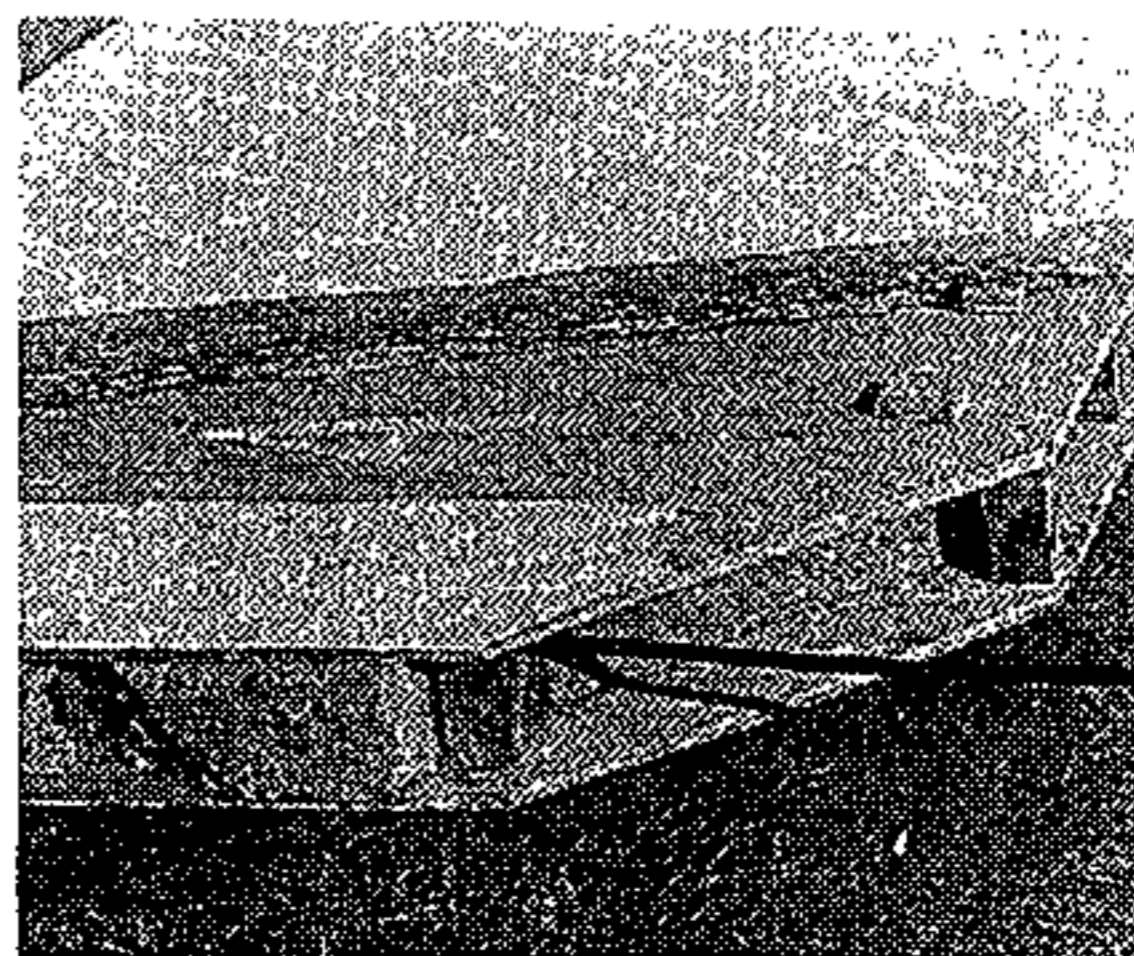
"They look like conventional houses from the outside, but they are much stronger because of the cement. The

building costs are halved because it only takes two days to put up the walls," Mr Lowe said.

The design was tested to ensure it complied with building requirements and standards laid down by the Council for Scientific and Industrial Research (CSIR).

It met national building requirements and was given a CSIR certificate.

"The paper gives the houses good thermal resistance. They are designed to last 25 years and can withstand heat and rain. We used a welding torch at a temperature of 1 000 deg C to determine the effect of heat. The wall didn't even smoulder — because of the cement," he said.



A section used in the paper houses: they consist of cement sandwiched in between fibre cement slices.

Bond rate up — (123) blame it on VAT

Weekend Argus
Correspondent

LEADING commercial banks and building societies have announced increases in bond and prime rates of 0,25 percentage points to coincide with the introduction of VAT.

And the institutions indicated they were considering lower interest rates on savings.

The double blow came as embattled consumers and businesses were pinning their hopes on a cut of about one percent in interest rates by year-end.

However, a cut in rates has become more unlikely with VAT set to lift consumer prices — because higher interest rates are essential to control inflation.

The latest increase pushes up bond repayments by R20 a month for homeowners with outstanding mortgages of R100,000.

The prime rate — the overdraft rate charged to bank's biggest and best customers — rises from 20 to 20,25 percent.

Industry sources estimate that VAT will cost the country's institutions roughly R220 million in additional charges and the latest adjustment to rates will enable the financial institutions to recover the costs.

First National announced the increase and Nedcor, which includes the Perm and Nedbank and Amalgamated Banks of SA (Absa), the holding company for the UBS, Allied and Volkskas will follow suit.

Standard Bank and Natal Building Society spokesmen said it was likely their organisations would do so after meetings on Monday to review the rate increases.

■ See Weekend Business Argus.

DP wants homes to be transferred

Sowetan 13/9/91

THE transfer of certain housing units to residents in black townships could help to defuse the issue of rent and service charge boycotts, the Democratic Party said yesterday.

DP spokesman on local government Mr Tony Leon was reacting to the National Party's constitutional proposals relating to the granting of additional voting rights to property owners at local government level.

He said in a statement issued in Johannesburg the NP's proposals could achieve greater acceptability if certain steps were implemented.

These, he said, included the immediate transfer of

existing housing in black townships to "those tenants who have leased their homes from local authorities for a certain period, and thus the conversion of millions of tenants into homeowners".

He pointed out: "This will also help defuse the politically-charged issues on rent and service boycotts, since the providers of utility services will be dealing with home owners with secure title, and the right of resale, instead of local authority tenants who, in many cases, have repaid the value of their property several times over".

Leon said the latter suggestions would test the

Government's sincerity as to whether their proposals were legitimate or simply disguised in racism.

The DP further proposed a plan to create low-cost housing through the marshalling of existing programmes and resources, "currently dispersed through four housing departments and hundreds of local authorities".

The latter plan, Leon suggested, could be supplemented by the provision of State-owned land.

Another proposal includes the forging of an agreement between civic associations, local authorities, financial institutions on an iron-cast formula for

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the provision of bond financing with the single purpose of affording most South Africans access to home ownership.

"This will require a commitment by the 'civics' that any such agreement will be honoured and not discarded when the issue of repayments becomes a tantalising political weapon."

The DP added that while this was a massive challenge to Government and the private sector, "the African National Congress and others need to be less equivocal and ambiguous on the entire question of property rights". - *South African Press Association.*

LEASEHOLD — RESTORING THE BALANCE

Township homeowners who have paid transfer duties to convert their leaseholds to freehold were paying for the mistakes of apartheid — and should be reimbursed, says Democratic Party spokesman on Public Works and Land Affairs, Mike Tarr. (123)

His comments follow revelations of anomalies in the Upgrading of Land Tenure Rights Act that came into force at the beginning of the month. The Act, which forms part of government's land reform package, allows for the free conversion of leaseholds into freehold title.

However, the legislation is not retroactive. It takes no account of agreements converted before September 1; and in those cases people paid R150 a site to convert leasehold to freehold title.

The Department of Public Works and Land Affairs says about 200 000 registered leasehold agreements will be converted automatically to freehold as soon as township registers are opened. Tarr believes government should go further: "They have already paid the price of

being excluded from land ownership rights for so long. The first reluctant concession was a 35-year leasehold and then 99-year leasehold, before government eventually agreed to freehold."

Blacks should never have been excluded from land ownership, and government should take affirmative action to redress past injustices. "In this instance those registration fees should be refunded to put everyone in the same boat.

"In addition, in terms of affirmative action in resolving the whole land issue, there will be dozens of little things that must be done. There won't be one earth-shattering event... Ownership of properties that are still being rented from local authorities should also be granted to occupants as quickly as possible — even if it means giving the properties to them."

Tarr believes: "This is not a matter of political expediency. It's part of a bigger picture in terms of addressing the issue of land rights. Refunds would be another little step in the right direction and a gesture of goodwill."

Overhaul of housing policy expected soon

CAPE TOWN — A major overhaul of South Africa's housing policy is expected to be recommended by the De Loor Commission soon, hard on the heels of a scathing World Bank attack on the existing system.

Former Auditor-General Mr Joop de Loor is expected to recommend a cheaper, more efficient system of planning and funding housing within a centrally managed, nonracial framework, in a report due to be published for comment next week.

The hope that it will revitalise the country's approach to the critical challenge of providing for a desperate housing need follows sharp criticism of South Africa's housing efforts by the World Bank.

A confidential World Bank report, leaked recently, said bluntly that the "present structure for formulating and implementing housing policy is hopelessly inefficient, contradictory and

Star 14/9/91
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duplicative".

Among the critical issues expected to be raised in the De Loor report is the waste of time and money caused by the fragmentation of housing initiatives along racial lines.

It is believed the report will call for a centrally managed, co-ordinated approach to meet the shelter needs of South Africa's homeless.

Indications are that the Government has already begun to act on some of the points which emerged in the De Loor investigation.

Recent statements reflect the Government's acknowledgement of the problems in meeting the country's housing needs.

Excessive red tape has been blamed for hampering the identification of residential land and the provision of urgently needed housing.

MICHAEL MORRIS

Change SA housing ⁽¹²³⁾ — report

MICHAEL MORRIS

Political Correspondent

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Excessive red tape has been blamed for hampering the identification of residential land and the provision of urgently needed housing.

There is also a recognition that the task of providing adequate shelter for the millions of homeless in the country is being frustrated by unnecessary conflict and competition between different authorities and bureaucracies.

LAND speculation and high-priced home finance came in for strong criticism at the conference.

Several speakers said government policy in allowing uncontrolled land speculation had put housing out of reach of millions of South Africans.

Cast housing head Mohamed Dangor said land was more expensive in Mamelodi than in the Pretoria suburb of Faerie Glen. Recent research in several Reef townships showed that developers bought sites for around R450 and sold them for R15 000 after putting in the minimal services.

Schemes employed by the government-funded South African Housing Trust, the Independent Development Trust and banks earned the wrath of community representatives, researchers and organisations involved in housing.

Attorney Brian Leveson of the Legal Aid Bureau's Housing Advice Project said the lending policies of many institutions over the past few years had brought chaos to black home ownership. Leveson urged that the

Speculators push up prices



FRESH IDEAS ... Denis Creighton.

entire system of sale of land for housing development be overhauled to allow land to be sold at minimum costs and to protect consumers.

Nedperm Bank's Denis Creighton explained the bank's Emaphupheni project, which means "place of dreams".

Perm worked with the local Etwatwa Civic Association on the East Rand from the inception of the project. The community was involved in the planning, financing and implementation of the 300-home scheme.

Houses would be built by a local contractor and a school, financed by an IDT loan, and owned and managed by the community.

SAHT's Ben Pieters appealed for housing solutions to be found now and "not to wait for a new government one day".

Pieters said SAHT's Khayaletu Home Loans arm specialised in low-cost loans, and granted more than 1 000 new loans in the R25 000 to R30 000 bracket every month.

Pieters said that unless communities and private sector financial institutions came together to provide houses for people, little would happen to resolve the housing crisis.

Civic representatives took Pieters to task for saying they should "teach people the importance of payment ethics" and for accusing some civics of "not having the interests of the community at heart".

A TIMBER REVOLUTION!

123

CP Reporter
Ciprien 15/9/91
TIMBER-FRAME
houses could revolutionise low cost housing in South Africa, says the executive director of the South African Lumber Millers' Association (Salma), Andries Swart.

A move away from brick buildings to cheaper, easy-to-build, timber-frame homes could help rid South Africa of its backlog of one million homes and solve the country's housing crisis, Swart told delegates to the recent conference on Affordable Housing for South Africa.

Timber houses are virtually unknown in South Africa, but in the rest of the world there are more timber and timber-frame houses than any other kind. In America more than 98 percent of houses are built out of timber, while in Australia the figure is 89 percent.

Homelessness is one of the most urgent problems South Africa has to address. Opening the recent conference on Affordable Housing for South Africa, the chairman of the Civic Associations of Southern Transvaal (Cast), Moses Mayekiso, right, said a national forum to shape housing policy should be formed as a matter of urgency. This should be made up of civic associations,



trade unions, political organisations, government bodies and employers. The conference was jointly hosted by Cast, the South African Lumber Millers Association, Operation Masakhane for the Homeless and City Press.

With the massive increase in informal settlements in South Africa in the past few years, millions of shacks have been built using timber for the basic structure, with corrugated iron walls.

Salma's research had shown this timber was usually of poor quality,

expensive and difficult to transport to building sites.

In addition, shack builders - very often homeless people building their own homes - did not have the skills to build strong, durable and lasting wood structures.

Salma, seeing itself as the "custodian of timber

technology in South Africa", felt it could play a role by supplying timber straight from the sawmills to the communities - and by training people free of charge to build sturdy, properly constructed timber-frame buildings.

Salma plans to run free three-week training courses for people chosen by community organisations such as civic associations.

It will also help communities set up and run non-profit materials supply depots. It is envisaged these depots will sell timber at about a quarter of the current retail price, and will cut the cost of other materials by half.

Salma will also provide timber-building inspectors to regularly visit projects to ensure houses built by trainees are of a minimum standard.

Training projects, involving a number of civic associations, are already starting in the Transvaal,



EASY DOES IT . . . Trainees erect a timber-frame community centre.

Free State and Cape. A materials depot at Hout Bay in Cape Town is already running well and trainees there are completing a large community centre.

These projects qualify for subsidies in terms of the Department of Manpower's Job Creation Programme and communities can choose whether they want their training funded in this way. Trainees who opt for the Manpower subsidy receive a daily allowance while training - and wages while they build houses for people in the community.

"Our belief is that we must play our part in helping solve the housing crisis in our country," Swart said.

"We believe our country does have the resources, if wisely spent, to provide a decent, affordable home for every South African family," he said.

VAT blows to booms

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By **MAGGIE ROWLEY**
Deputy Business Editor

SHOCK increases in both prime lending and mortgage rates have been announced by banks ahead of a new tax to be levied on financial institutions from September 31.

The increases, though marginal, have come at a time when hard-pressed consumers and home-buyers have been anxiously awaiting a long-expected drop in interest rates and the move is certain to put disposable income under further pressure.

Leading the way, First National Bank announced yesterday that it would increase its prime lending rate by 0,25% to 20,25% from October 1. Its home loan rate will rise by 0,25% from October 7.

Amalgamated Banks of SA (Absa), Bankorp and Nedcor followed suit while Standard Bank is expected to make an announcement on Monday. United Bank, whose prime rate has been lower than the rest of the industry, will

increase its prime lending rate from 19,75% to 20%.

Absa chief executive Mr Piet Badenhorst said the group's mortgage rate would also be increased by 0,25% with immediate effect for new loans and further advances. Existing home loans for Volkskas will increase on October 1. Allied and United increased rates will come into effect on November 1.

Offset new tax

Banks said the increases were intended to offset the cost of a new tax expected to be levied on financial institutions from October 1 in lieu of VAT from which they have been excluded.

Mr Nico Cypionka, group economist of Standard Bank, said the government had indicated that it wished to raise about R200 million via a new tax on the financial services industry over the second half of the current fiscal year which ends on March 31, 1992.

He said the prime rate increases follow repeated warnings by banks that they would have to pass on the costs of the expected tax. "While the increase is minuscule, it is

the principle of the matter and it will affect consumer confidence. The man in the street has had a gut full, feeling he has been hit from all sides."

Bankers said the increases announced yesterday would provide for only partial recovery of the effect of the tax and it would be necessary to recoup some of the cost through other measures.

An FNB spokesman said an attempt to spread the recovery of the cost as broadly as possible would also lead to a downward adjustment in the bank's deposit rates.

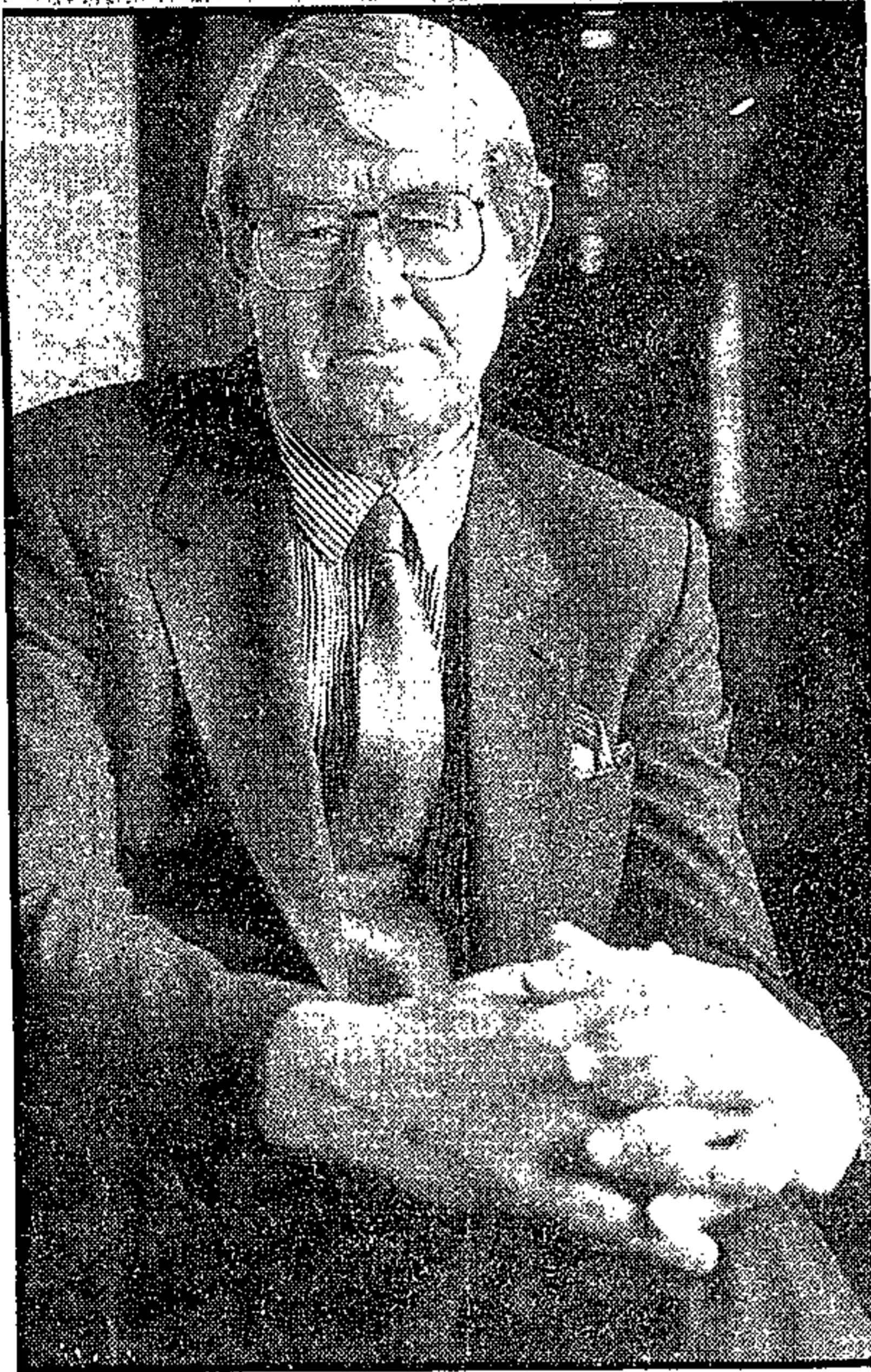
The rise in mortgage rates will deal another blow to the man in the street trying to ride out a sustained bout of punishingly high interest rates.

And Mr Dave King of the National Association of Homebuilders said many in the industry had already gone under and the move could "be the death knell" for others with margins already under heavy pressure.

"What are they trying to do, kill the

● **Complaints against VAT pouring in — Page 5**

P.T.O.



BOB ALDWORTH: White areas also suffer in the economic crunch

Violence deters housing lenders

SI Times (Burr)

By IAN SMITH 15/9/91

THE private sector has the resources to finance a building drive which would make huge inroads in the low-cost housing backlog.

But building will continue at a rate well below the natural increase in demand until financial institutions have the confidence to invest in black housing.

It is a huge potential market which remains a minefield for the unwary.

Housing Advisory Council chairman Joop de Loor says: "The problem cannot be solved by throwing money at it. It must be attacked head-on. A solution will need the co-operation of every role player."

Dr De Loor, former Finance Director-General and Auditor-General, heads a team investigating a new housing policy. The first draft of its report will be ready for Planning, Provincial Affairs and Housing Minister Leon Wessels in two months.

Boycotts

Contractors and housing developers accuse banks and building societies of cutting off finance for black housing because of the risk of rent and bond boycotts.

Institutions say they are still lending, but many have been forced to take a more cautious line.

Company-backed mortgage schemes, which promised to speed up black housing, are being increasingly threatened by heavy retrenchments and company closures.

Among the problems they face are:

- Political violence in residential areas.
- Bond boycotts for political aims.
- Payment stoppages because of faulty construction.
- Rapidly increasing non-

payment because of retrenchment.

● Non-payment in protest against high interest rates.

When borrowers are evicted for non-payment, the house is sometimes destroyed. More often, it cannot be resold because the new owner fears violence.

White

Allied group managing director Bob Aldworth says: "The situation is extremely difficult. Not only black areas are affected.

"We are doing a reassessment of the market, but bond applications that stand up to the normal commercial tests are granted. Until the problems are resolved we are forced to follow a more cautious policy."

Mr Aldworth says Allied, which has an exposure to the black market of more than R1-billion, advanced R16-million to the sector last month.

He says the white housing market has been hit in areas like Welkom, affected by mine closures.

"When a house is repossessed we have to employ a security guard to ensure it is not vandalised. I am asked why we don't allow the family to remain without bond repayments. But that encourages neighbours not to pay."

Some companies which have retrenched staff have written off the 20% of the mortgages they put up.

"But this does not help the house buyer if he cannot find another job."

Mr Aldworth says low-cost housing still provides good business in some regions.

"We have no trouble, for instance, in the Eastern Cape and our experience in Natal is good."

"But the market on the East Rand and West Rand has been badly hit.

"In every area we have to weigh up the risks carefully. We cannot put the company in jeopardy whatever the demand."

Standard Bank, with an exposure of about R500-million to the black market, is preparing to increase its educational role among first-time buyers.

Senior general manager Dennis Matfield says this could help to avoid some problems.

"Buyers need to know that bad workmanship is not the lender's fault. They should understand why interest has to be paid, and that banks are not responsible for high interest rates."

Affairs

Dr De Loor says financial institutions will be able to play their full role when they have the normal protection of the law.

"There must be co-operation from everyone — first and second tier government, own affairs departments, local authorities, extra-parliamentary groups, financial institutions, developers and buyers.

"Once the position is normal, there is no question that there will be sufficient funds."

If management heaven is built on a small, no-frills operation, led from out front, where everybody is imbued with the company mission and nobody works for the money, then the Independent Development Trust may be staking some claim to immortality.

In size and style, the IDT shows many of the best features of private sector management, and appears to avoid the sort of waste and excess so often associated with NGOs (non-governmental organisations).

There are no pictures on the walls of the Trust's staff headquarters at the Rozenhof office complex in Kloof Street, Cape Town. It's all quite plain and practical. Everyone sitting down is surrounded by piles of paperwork and everyone standing up is going directly from one place to the next. Everyone is back from lunch at 2pm sharp. And if you want an appointment or an answer, you can get one — quickly.

The nearby headquarters at 14 Keerom Street, an old Cape Dutch townhouse, is more attractive but the atmosphere, charged by the physical presence and vigour of Jan Steyn himself, is every bit as intense and focused as Kloof Street.

Steyn was determined that the IDT's size and style should reflect its mission — a major assault on poverty. Thus all its operations are run economically and the IDT itself remains small. Countrywide, from Steyn to the tea lady, the IDT has 29 full-time staffers including four in the Transvaal and two in Natal. It is not expected to grow beyond 35.

Of the IDT's R2 billion in funds, it spends only R10 million — or 1c in every R20 — to pay salaries, run the office and retain outside help in managing the funds.

The IDT has 15 trustees, including Steyn. He is also chairman of the executive committee of eight people, which reports to the trustees.

Assembling this team was Steyn's first task. "I was looking," he says, "firstly for concerned South Africans with a track record in development work, or who, whether by their academic or practical performances had demonstrated a capacity to contribute."

"They had to be people I knew and trusted, who were prepared to come, not on the basis of looking for a career, but to make a contribution in the short and medium terms."

"Secondly, the group — both trustees and executives — had to be broadly representative of the various threads of the tapestry of the South African populace."

"It's nonsense, by the way, to suggest I was looking for people representing the ANC or the PAC or Inkatha or the like. You can draw whatever inferences may be necessary simply from individuals' various and contrasting backgrounds and experiences."

(23)

THE NEW FACES

Thus the trustees and directors generally have access to a wide range of leaders in politics and business, but each one also brings to the Trust special knowledge and experience which are important to its job as a development catalyst.

This makes for a dynamic mix, says communications director Jolyon Nuttall. "It's as if all these talents have a multiplier effect on each other. Extraordinary energy is released. The whole is far greater than the sum of its parts."

You can see that process at work at a typical Monday morning meeting of the executive committee. The agenda is long, lunch is short, discussion is brisk.

These proceedings, and the operation as a whole, are permeated by a sense of mission. Says Nuttall: "No one does it for the money. There's an excitement, a nervousness even, an awareness that this is an opportunity which cannot be let slip."



ENOS Mabuza, left, above, former chief minister of KaNgwane, and Professor Wiseman Nkuhlu, principal of the University of Transkei, have agreed to join the IDT as executive directors.

Their appointments mean there are now eight members of the executive committee.

Mabuza stepped down as chief minister earlier this year and now serves as a director of several large companies. He started with the IDT in August

and is working from its Johannesburg office.

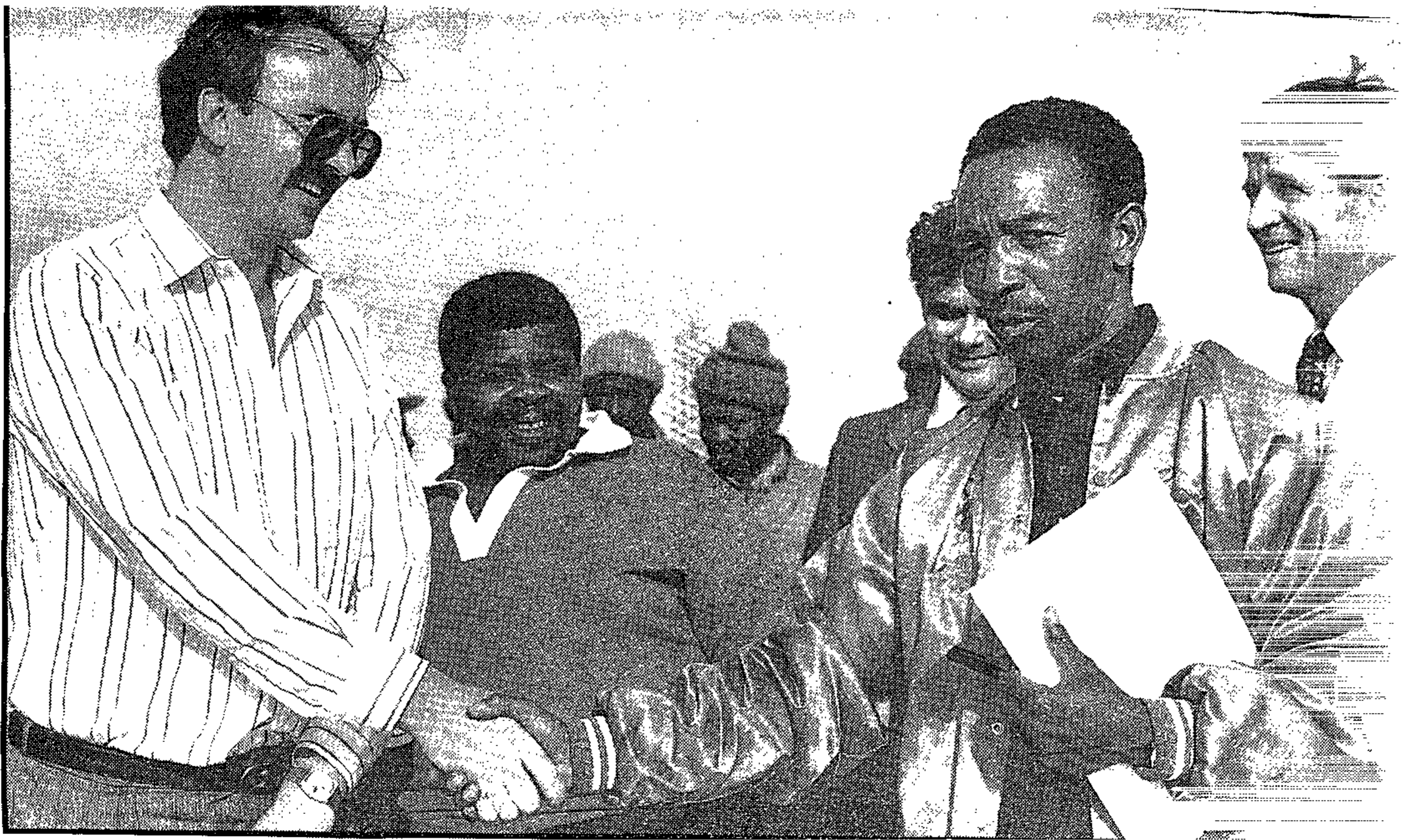
He will play an important part in the IDT's top-level negotiations, and in its programme of communication with groups and organisations.

Prof Nkuhlu is already an IDT trustee. From January 1, 1992, however, he will use a year of sabbatical leave from the University of Transkei, to take up a job as Executive Director. Project Development for the IDT.

He will be working in two of

the IDT's main areas of operation, education and health. In education, his main job will be to plan a national programme to set up community learning centres. An important part of this will be the setting up of community trusts to run the centres.

In the health area, Nkuhlu will be working on a national programme for building clinics. This programme, and the clinics, will be linked to the IDT's project for building schools.



□ Chris Dhlamini, CAST and COSATU, right, congratulates the developer, Johan Walters, Citicom, at the Etwatwa Learning Centre, at Emaphupheni, near Daveyton on the East Rand — the first school to be built under the IDT's National School Building Initiative. A feature of the new school is its "two-of-everything" approach — two headmasters, two sets of teachers and two "schools" of pupils will share the main buildings. The broader community will also use the school hall, which has been built across the road from the learning centre. Standing behind Dhlamini are Prof Merilyn Mehl, IDT education director, left, and Denis Creighton, the PERM.

Breaking the cycle of poverty

THE Independent Development Trust has earmarked nearly R1,5-billion, or 75 per cent of the money entrusted to it by South African taxpayers in 1990, for development projects for the poor.

The IDT aims to help South Africa's poorest citizens break the cycle of poverty, and is attacking backlogs in housing, education, health, and community and rural development.

Of the R2-billion transferred by government to the IDT's account via treasury bills and government stock last July, R1 476 million was set aside for about 150 projects in the IDT's first year of operations, which ended on July 31, 1991.

Among the major items were:

□ R750-million to a capital subsidy scheme for the development of nearly 100 000 sites, to accommodate about 700 000 people;

□ R300-million to the building of 50 000 new classrooms to serve as learning centres for various sectors of the community;

□ R70-million to set up a major pre-school educare programme for under-privileged children; and

□ R47-million to create a finance house for home loans for people who are too poor to borrow from building and banks in the usual way.

□ R12,6-million to an AIDS education and health care network.

Although large sums of money have been made available, the IDT is very careful about how it spends or invests its funds. It has therefore earned good yields on its money in the money markets in an effort to make its funds go further.

R2-BN TO BE SPENT

This earned the IDT an additional R350-million in interest in 1990/91. The IDT has also begun a concerted effort to raise more development money abroad.

IDT executives have warned that what seemed like "an enormous sum of money" a year ago, has shrunk in comparison to the massive demands that must be met.

The IDT's resources — and those of other development agencies — will have to grow quickly and strongly, they say, if there is to be a real hope of empowering South Africa's poor and making them more self-reliant.

Among the IDT's special programmes and projects have been:

□ Creating a new low-risk stock for the Johannesburg Stock Exchange — called a Collateralised Housing Investment Paper — which will bring in money for shelter for the poor.

□ The signing of a support agreement with Nelson Mandela and Mangosuthu Buthelezi which links peace with reconstruction and commits both their organisations to help the IDT, which is hoping to use development projects to support peace pacts.

IDT chairman Jan Steyn has identified some of the main features of the IDT's method of operating:

□ Remaining a small unit, so that the greatest amount of money possible could reach its target — the 10 million poor people in South Africa;

□ Aiming most of the money directly at the poor;

□ Reaching as many poor people as possible;

□ Being consistent and fair in allocating funds;

□ Making sure the community is involved in every aspect of a project's development; and

□ Building, wherever possible, a multiplier factor into investments, ie seeing that investments are made in such a way that other funds and efforts are attracted to a project, so that it grows even more.

Steyn said he had been disappointed by the fact that some businesses did not seem to want to think creatively and invest risk capital for the sake of national, and therefore business's, interests in the years to come. He welcomed, however, the contribution of visionary business leaders, especially those who supported the R500 million Private Sector Initiative under the leadership of Mr Mike Rosholt.

He criticised so-called "gatekeepers" who he described as often self-appointed and who demanded that they should have the power to approve new programmes in the community.

He distinguished between them and genuinely committed workers at grass roots who selflessly devoted themselves to the needs of the poor, and thanked them for supporting the work of the IDT and other development agencies.

Steyn said the pressure to move fast had been enormous, but that the IDT had felt it necessary to move carefully and sensitively in all its projects.

He warned that the IDT would not allow itself to be pressured for the benefit of interest groups, either business or political.

Rental ⁽¹²³⁾ formula 'grossly distorted'

Property Editor

THE rental formula applied by government for low cost housing is grossly distorted and unfair to poorer tenants, says Johan Nel, MD of housing utility company, Communicare (formerly The Housing League).

He said they had examined the formula in depth over the past 18 months and found it to favour some sitting tenants with higher incomes.

"Rentals were worked out according to income and in many cases have not been adjusted for long term tenants. We found there are older couples with higher incomes whose children have left home still paying about R40 a month, with newer, younger tenants with young children paying R200 a month.

"We have drawn up and submitted to government what we believe to be a fairer and more controllable formula which will also increase the income to the state which can then again be used to fund the development of further low cost housing for rent."

● Communicare has 6 500 tenants on its books in the Peninsula.

He said residents in Bishop Lavis had a 12-year wait to be allocated a house: "We are hopeful that the authorities will take heed of our proposals and act quickly."

HP-type scheme mooted for affordable housing

MURRAY and Roberts (M & R) Construction hopes to make thousands of low-cost houses available to disadvantaged South Africans, and has approached the major financial institutions to develop HP-type financing schemes.

These would be underwritten by the state or Independent Development Trust (IDT) if necessary.

"This will bring dignity and hope to the urban poor, more than 60% of whom cannot afford a home costing more than R12 500," says M & R's executive director Gavin Hardy.

At present, financial assistance to prospective homeowners can be offered only via corporations that provide collateral security for employees.

This means many people who may be informally employed but otherwise could afford to buy a home, cannot be financed.

"We've proposed that the major banks and building societies offer hire purchase terms over about four years. The home owner would pay about R175 a month, after a 15% deposit, and own the property outright at the end of the term for a R5 300 home," Hardy says.

M & R's Waltberg and Maxi homes were developed to offer a real and practical solution to the housing needs of this sector of society. Typically, they can provide 20m² of shelter for R5 300 excluding GST or VAT.

HP schemes offer large advantages as the house is paid off over a relatively short period, reducing the total cost.

"To reduce costs and red tape, and to maximise the chances of the application being accepted, we've suggested that financial institutions provide HP-type schemes via their infrastructure and that the loans be processed in the same way as any other HP-type application," he says.

However, the banks and building societies require an acceptable form of security before providing an HP-type service. A possible solution is to establish a Small Loans Guarantee Fund to cover defaults, he adds.

M & R Construction has approached the IDT to set up such a fund and are awaiting its response.

Hardy stresses that the proposed HP scheme will not replace existing loan programmes and subsidies.

-31.

Homebuilder
B10 aug
cuts prices

ahead of VAT

18/9/91
GOUGH Cooper has cut house prices ahead of the 8% rise in the cost of a new house when VAT is introduced, the company said in a statement.

Homes on the Bloubostrand development near Fourways are now being offered at a discount of between R8 000 and R10 000. *(52) (123)*

"Buyers have shown good interest and are taking advantage of this opportunity," says marketing director Russell Glyn-Cuthbert.

At Randpark Ridge, discounts of up to R11 000 have been offered.

Packages are being tailored to meet buyers' needs, with the discount being used either to subsidise the deposit or ease repayments.

Under the present system, there is a duty of between 1% and 3% on the purchase of land. This will fall away from September 30. However, in place of the duty there will be a 10% VAT charge.

He said VAT would be charged on labour and on materials. Only the materials attract GST.

SOWETAN Building the Nation

Bond finance options are increased

Sowetan 19/9/91

123

DEVELOPERS and prospective owners of low cost homes have a wide and growing variety of bond financing options open to them.

That is according to Mr Gavin Hardy, executive director (housing division) at Murray and Roberts Construction.

Hardy says traditionally financial institutions have been reluctant to provide financing below R35 000 for reasons of economic and political risk and diminished profitability.

"However, recently several institutions and independent development organisations such as the Urban Foundation and Independent Development Trust have announced or implemented innovative bond financing schemes designed to restore dignity by allowing individuals to purchase their first home, albeit a very modest one.

Among these schemes are the Loan Guarantee Initiative, which was developed by the Urban

execution of the property. The LGI's insurance is available where the borrower can provide a minimum of five percent or an equivalent collateral guarantee; and the loan value does not exceed R35 000 (exclusive of costs).

With the LGI intervention, a property package costing R30 000 breaks as follows:

- Five percent deposit /collateral (R1 500);
- 15 percent deposit replacement collateral, a single upfront insurance premium which insures up to 15 percent of the bond depending on the deposit (R4 500);
- 15 percent risk replacement collateral, a single up-front payment which covers the institutions against "political" risk (R4 500); and
- 65 percent lender's risk (R19 500).

The major players in

the initiative are Nedperm, FNB and Standard Bank, while Volkskas, Provincial and Allied have a very small involvement or are corporate lenders only.

Joint venture

To finance homes requiring loans of under R12 000, that is, below the minimum limit of the Loan Guarantee Fund, the IDT and UAL Merchant Bank are involved in a joint venture to raise R500 million from the private sector.

To date about R120 million has been raised from financial institutions, on the basis that the IDT provides funds to the Independent Development Trust Finance Corporation to acquire, through UAL, a portfolio of fixed interest rate securities.

These, in turn, will be used as collateral for the

cash flows due to the institutional investors.

Also available from Nedperm is the Perm Salary Linked Home Loan, wherein repayments are determined as a percentage of the borrower's income. Loans (typically 100 percent) are made to employees of companies approved by the Perm, and the borrower's compulsory contributions through company pension or provident fund membership are used as collateral.

Unhealthy

To qualify, the borrower should earn R800 a month or more, be employed by a Perm-approved employer and be an established member of a pension or provident fund.

He or she also should be able to repay the loan by the age of 55 years.

Important advantages of this scheme are that payments are kept affordable, and are unaffected by fluctuations in interest rates.

By JOSHUA RABOROKO

Foundation in conjunction with the Association of Mortgage Lenders and now run by the Home Loans Guarantee Company.

The objective of LGI is to open the R12 500-to-R35 000 sector of the mortgage bond market, particularly for "starter" homes up to 55 sq m.

Expands

This initiative is all the more significant because it expands the potential market from 10 percent of the black population to 33 percent.

The LGI encourages institutions to provide financial assistance by providing them with insurance to cover losses in the event of default by the purchaser and the sale in ex-



Focus on housing shortage

SOWETAN RADIO METRO

TALKBACK

INADEQUATE housing and hunger for land was an emotive issue for many callers to the *Sowetan* Radio Metro Talkback Show who said the problems were created by the Government.

Margaret from Tembisa, herself homeless, said the R2 billion given by the Government to the Independent Development Trust to aid the poor was not enough.

Earlier in the programme, IDT spokesman Mr Jolyon Nuttall said R1 billion from the trust allocated to service 100 000 sites was not sufficient to tackle the housing crisis.

"The IDT is no more than a 10 percent attack on the problem," he said.

However, he estimated that the sites could accommodate up to 700 000 people. A reduction in the level of violence could boost big business confidence in involving itself more in housing, he said.

Sam from Katlehong accused the Government of denying land to Africans while spending money on housing foreigners in the country.

Today's speaker on Face the Nation is the Rev. Musa Sono, who will speak on the role of the church in a changing society. Listeners are welcome to call in to ask questions or make comments.

First-time buyers will find going more difficult

THE first-time homeowner is an endangered species, according to Camdon's group marketing director, Mr Bryn Hossack.

Reacting to the news that home subsidies are effectively being phased out by taxing them at almost the same level as the current bond rates, he said there was a distinct lack of Government support for the first-time owner.

A fresh approach to the situation was called for, he said.

Rising home costs, expensive bond finance and high taxation rates have put home ownership beyond the reach of thousands of South Africans. A potential brain drain to other parts of the world was one possible consequence.

Home ownership was one of the greatest aspirations of South Africans. There was now a strong possibility that only existing homeowners would be able to afford to buy property by trading into another property, using the appreciated value of their property to do so.

"There are already far fewer first-time homeowners and ultimately this is unhealthy for the vitally important property market - and for the long term prosperity of South Africans in general.

"First-time homeownership is literally the first step towards long term wealth creation. For the majority of South Africans, property ownership is the one certain route to creation of an asset in their retirement years.

"With the dubious compliments of inflation, that asset appreciates more rapidly than most other investments open to the average man in the street," said Hossack.

Billions more needed to uplift SA's poorest

123 APR 19 | 9 | 91

The Independent Development Trust, launched with R2 billion last year to improve the standard of living of impoverished black families, has been handed both accolades and criticism since it started operations. Though snipers have suggested that progress has been slow, the trustees argue that the time taken on the spadework that was first tackled has proved the wait was worth it, reports MICHAEL CHESTER.

ONE of the first moves made by the De Klerk administration at the dawn of a new post-apartheid era last year was to allocate R2 billion in taxpayers' funds to launch the Independent Development Trust. The assignment was to ensure black socio-economic advancement on a broad front.

The exercise has won accolades from admirers — and drawn flak from a number of critics who believe progress has been slow.

More controversy has been stirred by World Bank criticisms about the failures of the South African government in its overall approach to chronic housing problems.

In a first annual review of operations, the IDT has spelled out its own role and explained how it has already allocated more than R1,4 billion of its initial injection of funds — ploughed not only into housing projects but also in the sphere of education, health and urban and rural community developments.

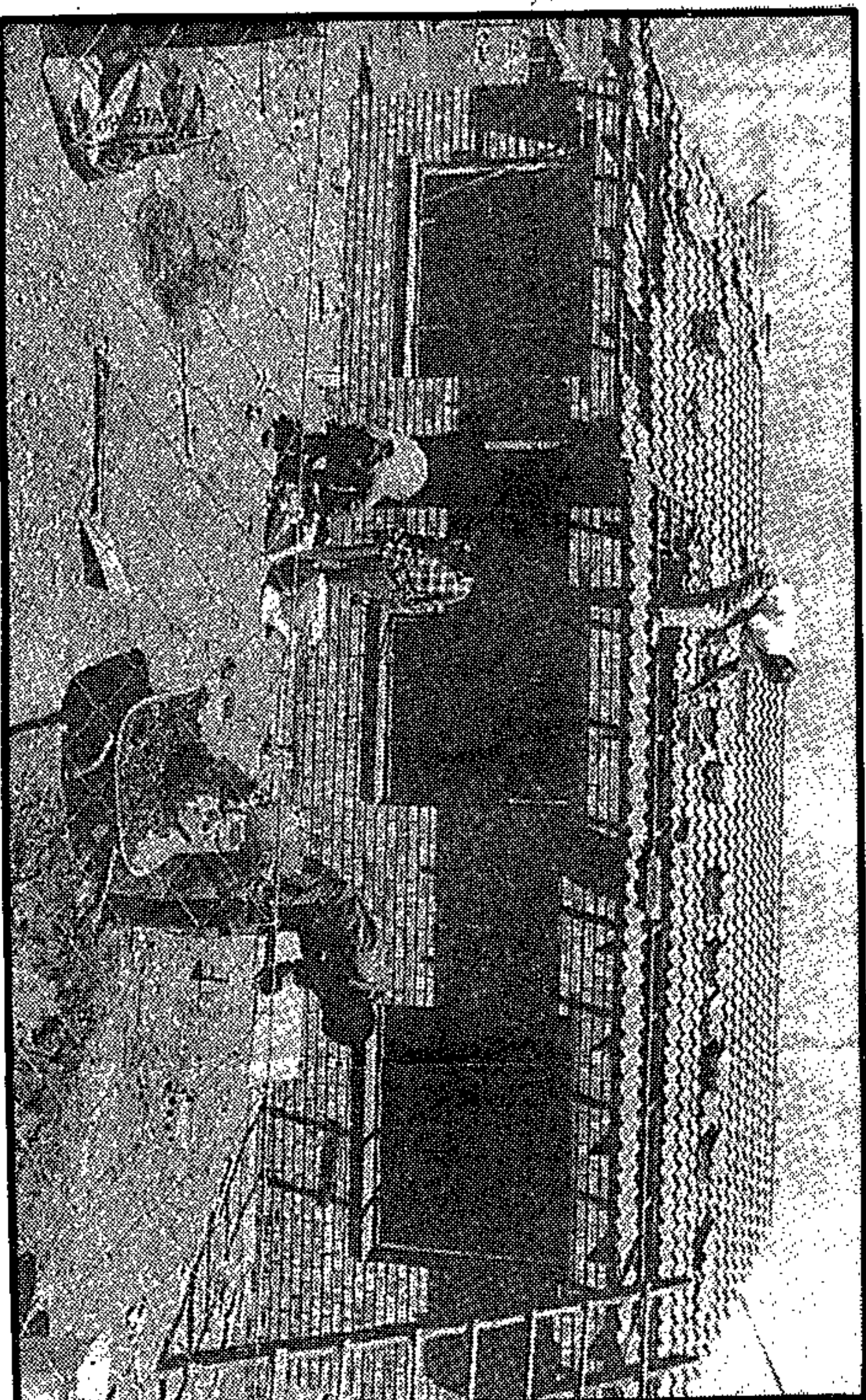
community control — and thus community protection — can beat school management problems.

A major triumph, he believes, is a national school building initiative that will see the construction of 50 000 new classrooms in the next three or four years with the aid of R300 million in trust funds.

There's a lot more to it than merely providing more classrooms. What the IDT is doing, says Mr Nuttall, is pursuing the challenge to create complete community learning centres, operating up to 14 hours a day, seven days a week.

The trust visualises a network of community halls that will be used as primary schools in the mornings and into early afternoon. Later in the day, they will switch roles to provide cultural activities and serve as adult education centres. In rural areas, it should also be possible to use them for primary health care services.

Confrontation with the critical housing shortage



A ROOF OVER THEIR HEADS ... the IDT has taken novel, long-term steps to tackle the housing crisis.

was expected to be a high priority when the IDT was launched. So it has been. But the trustees have taken a novel route with its longer term solutions.

"Many people expected us to concentrate on providing funds for homes," reflects Mr Nuttall. "Not so. Instead of a roof over people's heads, the trust has gone for ground under their feet." In pursuit of its vision,

the IDT has allocated more than a third of its funds, R750 million, to a capital subsidy scheme under which 100 000 serviced sites will be given to impoverished families.

About 700 000 members of the poorest layers of black society — with the average size of each family put at seven — are expected to benefit from the promise of land title security.

"We believe that the people who receive the sites will build dwellings on them," says Mr Nuttall. "Some may start with shacks, which they will gradually improve. Using the land as security, others will borrow money to build more substantial homes."

"Yet we know that 100 000 sites are only a beginning. We have in fact received applications to subsidise

640 000. More money must be found."

The operation does not stop with the simple provision of land. The fund has also established a subsidiary company called the IDT Finance Corporation to address cash problems.

In turn, through the UAI, Merchant Bank, a radical new way to finance home loans has been devised — with aim fixed on raising R500 million from the private sector to help fund the cash for low-cost housing ventures.

Already eight of the big financial institutions have been persuaded to pump R120 million into the exercise.

Funding for health programmes has also been tackled at grass-root level to bring in the whole community — solving problems over the provision to villages of fresh water supplies, sanitation systems, primary health care ...

"To the IDT as much as to others," says Mr Nuttall, "R2 000 million sounded in the beginning like an awful lot of money. Simply transferring it to the trust without causing a blip on financial radar screens took skill and care."

"Putting it to work to earn interest, initially R1 million a day, while devel-

opment projects were evaluated, engaged all the skills of our financial director and his advisers."

"A year later, this apparently large sum has shrunk against the size of the task it was secured to tackle. Already R1,48 billion has been allocated to nearly 150 projects."

"If the cycle of poverty and dependency is to be broken, the resources will have to grow."

"As in the miracle of the loaves and the fishes, R2 billion will have to become R10 billion, R20 billion, R30 billion, if the multitude is to be empowered and made self-reliant."

Adds Mr Jan Steyn: "We have been entrusted with an awesome responsibility. We intend to discharge it not only with commitment but also with fairness and a real sense of urgency."

"The next two or three years will tell if we have — or could have done more. Have we, for example, helped begin to build a new society? Have we, through our work, bridged some of the divides? Have we given poor South Africans hope for a better future?"

"We hope to have answers to some of these questions next year, when once again we will report back on progress."

The review also underlines why a lot more cash will still be needed to fill in the chasms caused by decades of racial segregation.

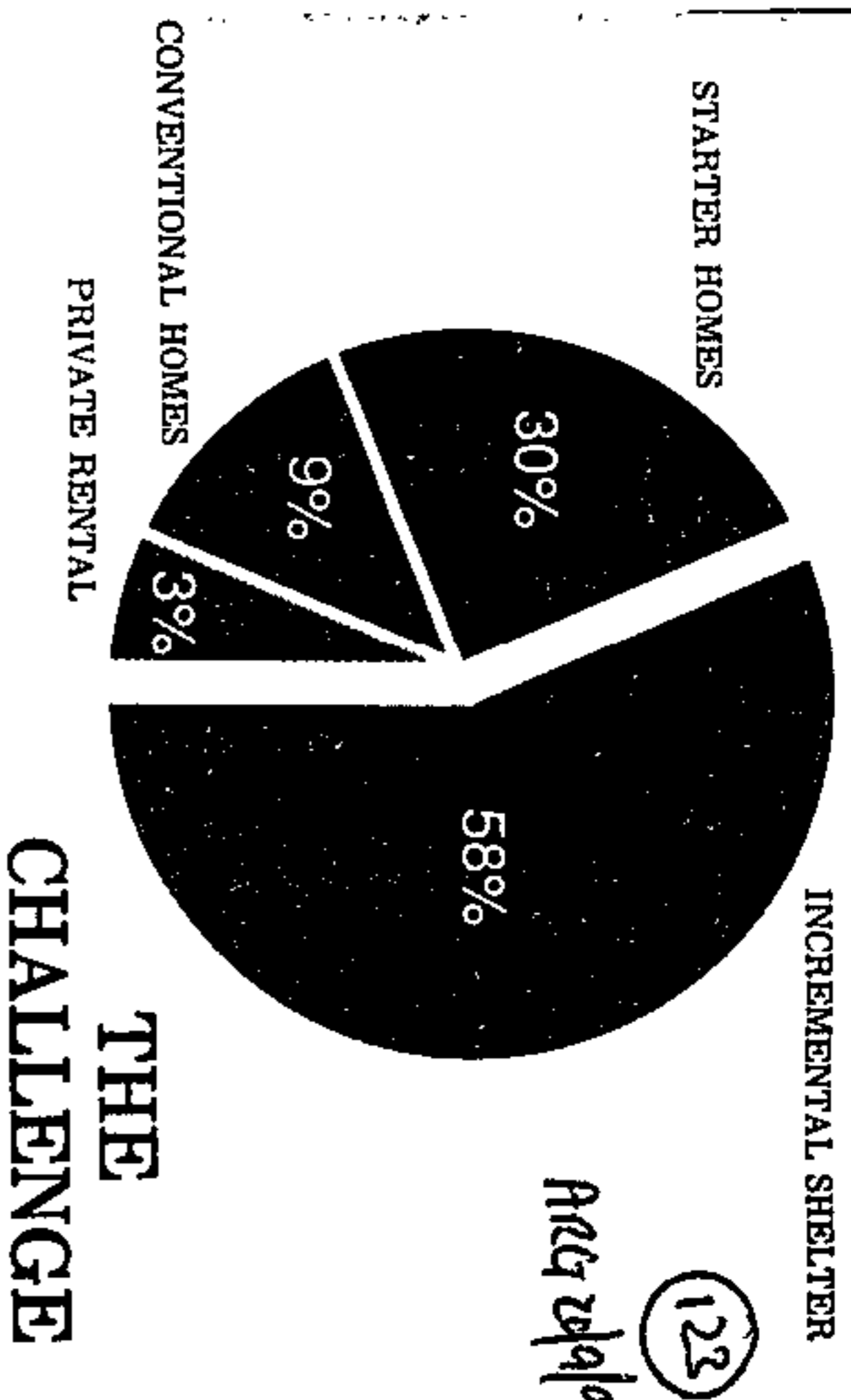
Mr Jolyon Nuttall, director of communications at the trust, is well aware of criticism from impatient outsiders about what may have appeared to be a slow start.

However, he insists, IDT chairman Jan Steyn, former head of the Urban Foundation, was correct in the way he tackled the exercise with emphasis on wide consultation to guarantee firm foundations.

The aim was to establish a framework of a development programme that would prove not only acceptable but also economically sustainable — rather than be snuffed out when the first flow of funds was exhausted.

"The spadework," says Mr Nuttall, "was worthwhile. Bursting from the portfolios created through that consultation process has come a spate of interventions, some of which have the potential to become models for others to follow."

He points to how the IDT tackled education issues and came out with what he regards as a model of "how



'Ground under people's feet'

LAND ownership leading to homes is the biggest thrust in the IDT's assault on poverty and its programme for the economic empowerment of poor communities.

Of the R1.5-billion allocated so far, nearly 61 percent — or R898.7-million — has gone to housing. The IDT has decided on a tight focus, choosing to spend its money in three main ways:

- R750-million on setting up a capital subsidy scheme, the IDT's biggest programme, for the development of nearly 100 000 new serviced sites that will accommodate about 700 000 people;
- R102.1-million to the promotion of ongoing development in informal settlements; and

- R46.6-million on the setting up of the IDT Finance Corporation (IDTFC), through which the IDT is developing new forms of housing finance for poor people

The capital subsidy scheme accounts for just over half of all IDT funds set aside so far. It covers 108 projects, of which nearly two thirds will be new settlements.

The money will pay for the development of serviced sites for a total of 99 800 of South Africa's poorest families. An average cost of R7 500 per site has been set.

With building costs high and incomes low, the scheme puts "ground under people's feet" rather than a roof over their heads. Housing director Ben van der Ross says the scheme has brought many new actors into the business of providing housing, because of the chance to use IDT funds. "This must increase the country's ability to provide suitable and affordable housing products to the very poor."

"Secondly, the limits we set have forced many proposers — both the authorities and communities — to accept the need for lower standards in providing services and housing. Thirdly, we know of many cases where previously hostile communities and authorities have cooperated in developing proposals.

"Our conditions for support have also forced many developers to come to grips, for the first time, with the idea of involving the community in discussions about their needs. So, even where applications have been unsuccessful, we feel this experience will influence them positively," says Van der Ross.

The IDTFC was set up in March to make small loans for accommodation and homes to people whom banks and building societies would normally not be able to help. The IDTFC will work through community lending groups, thus offering the additional benefit of helping to set up small community "banks".

Other projects include loans to other agencies in the housing and development field, and the promotion of consumer education and protection services.

The IDT, with the Development Bank of Southern Africa, is also facilitating a national debate aimed at developing strategies for dealing with the problem of single-sex hostels.

WHAT IDT PEOPLE SAY

"WE FEEL, however, that we have contributed to a process that was unthinkable a few years ago. Authorities and communities are at last talking to each other. Now isn't that something!"

"IF the cycle of poverty and dependency is to be broken, the resources will have to grow. As in the miracle of the loaves and the fishes, R2-billion will have to be-

come R10-billion, R20-billion, R30-billion, if the multitude is to be empowered and made self-reliant."

"INSTEAD of a roof over people's heads, the Trust has gone for ground under their feet."

"CHILDREN continue to be weighed as they go down into their graves."

"PEOPLE will start losing confidence if we don't show them something. Even if it's just one school..."

"WE'RE SAYING, let's do it — let's get this show on the road."

SAYS a new member of the team: "There's an excitement, a nervousness even, an awareness that this is an opportunity which cannot be let slip."

The need to move fast

AR3, 20/9/91

THE REASONS WHY (123)

QUESTIONS are being asked about why the IDT has committed itself so heavily to a capital subsidy scheme in the housing process. Chairman Jan Steyn responds:

WHY did the IDT choose a capital subsidy?

BECAUSE of a shortage of money, the IDT believes the country has no option but to accept that, in the near future, regrettably many poor people may have to be accommodated in site and service schemes as a first step towards owning their own homes.

The capital subsidy is a means to an end. We felt it was the best way to go in trying to reach the following goals:

□ To help poor people to own property, as a first step towards getting a house.

□ Because the demand for housing is greater than present supply, to persuade those who need, and provide, homes to accept lower standards of services. This will make sites cheaper, and available to more people.

□ To make access to state subsidies available to all on a more equitable basis.

□ To encourage communities and authorities, many of whom were working against each other, to work together to break the development logjam.

□ To open the way for communities to become part of the

business side of housing development, to make decisions, and to accept the responsibility that goes with that.

□ To see that development takes place in such a way that people have proper access to all the benefits of urban life — like jobs, transport and social amenities; and

□ To encourage the upgrading of shelter and services, the putting in of community facilities, and the setting up there of businesses that create jobs.

WHAT is this capital subsidy and how does it work?

IT IS a grant of R7 500 to a person who gets ownership of a serviced site. This money is used to pay for the site. If there is any money left over, this will be used either by individuals to help put up dwellings, or to put up community facilities: the communities decide.

Take the upgrade programme at Phola Park squatter camp. The community decided to spend only R4 100 to service each site. This left R3 400 to build or upgrade a house on each site.

HOW did the IDT settle on this figure of R7 500?

THE R7 500 is an average basic cost per site. It covers the

cost of putting in services. These must meet certain basic minimum health and safety standards — in running water, sanitation and roads, for example.

HOW does a person qualify for a subsidy?

YOU must be over 21, with family or dependants, and earning less than R1 000 a month. You may not have owned housing or land before, and you may not be already getting a housing subsidy from a government department.

THERE have been several criticisms of the scheme; that the subsidy is too low, or that it's too high, and that it has not given the building industry a "kick-start" ... how do you respond?

THE level of the subsidy has forced communities and the authorities to accept the need for lower standards in services and housing. If you consider the huge demand for housing and the scarce resources available to meet it, this has been a very important contribution to the country's effort to do something about the housing backlog.

As for community involvement in decisions on development and upgrading schemes,

this is one of the most important aspects of our approach: it is built in. No decisions can be taken without the community.

As for the big picture, we considered a number of ways of using the money but when it came to making a decision, there was still no clear national policy on housing which could provide a proper basis for our efforts. The government had not yet decided on a single housing policy for the country, or on a single, affordable way of subsidising and stimulating the home-building process.

To have disregarded this and gone ahead would have caused more problems later. We would have risked creating "islands of privilege in a sea of poverty".

On the other hand, to have waited until the government had finalised a national policy, would have meant a delay of years — not months — in sorting out some of the awful conditions under which so many poor South Africans have to live.

The government was prepared to accept this particular scheme at this level of subsidy, and that was important. To have introduced anything else that was competitive would

have been wrong, even if it were possible — which it was not. There was just no other way to go.

As for "kick-starting" the building industry — something, by the way, which is not part of our responsibility — I'm afraid that by setting the grant at R7 500 per site, not many private companies were even interested in tendering for the scheme.

BUT why this particular scheme? Why didn't the IDT simply give the money directly to the people for whom it was intended, rather than to developers?

THE term "developers" can be misleading. Less than 10 per cent of the allocations have been made to what one could call commercial developers. In fact, as I mentioned before, with the subsidy at R7 500, not many private developers are interested. Overall, the programme has given us the chance to support community-based development programmes, and in this way to give even more decision-making power to communities.

HOW are you monitoring how the money is being used?

WE have appointed a team of 40 consultants to check and monitor all developments. In addition, the transfer of land to individuals will be processed through legal conveyancers.



DR MAMPHELE RAMPHELE

way of surviving, even though it created problems. But many aid and development agencies, although they meant well, added to the problem by supporting the "victim" approach.

Blacks are social victims of racist policies that deliberately made them poorer and reduced their life chances, says Ramphele. So the argument that they are "entitled" is a strong one.

But the problem of how to make up for these policies is a hard one: the demands are huge, and the resources to meet them limited.

Ramphele also points to the danger of "victims" coming to see society, rather than themselves, as the factor which counts most in improving their situations. Such people have to accept, says Ramphele, that they themselves will have to play a very big part in making a success of their lives.

The IDT and others involved in development must start, says Ramphele, by recognising that black people are still able to respond to properly thought-out plans to help. "This capacity resides in individuals, support groups and organised pressure groups. There are also safety nets which people have developed over the years which can benefit from being strengthened."

A conscious effort to invest in the black community — as a way of breaking with the past — will strengthen these groups, says Ramphele. The aim should be the *development of people*, and those people have to be involved every step of the way.

Choosing strategies and projects that are important symbolically, and that also have spin-offs that produce other benefits, "would go a long way to restoring hope and trust", says Ramphele.

Buying a house? Some facts

123
ARG 20/9/91

HOME-BUYERS are confused by changes in the VAT system and how these will impact on property dealings. A spokesman for Pam Golding Properties explained some of the ramifications.

Question: If I buy a house after September 30, will I have to pay VAT on the purchase price?

Answer: It depends on who is selling the home. If you buy from a private individual who is selling his own house, no VAT is payable. If you buy a house in a new development from the developer, he will be obliged to add VAT to the selling price. This is because he will be a registered vendor, selling you the house in the course of his enterprise.

Question: If I do have to pay VAT on the purchase price of the house, will I also have to pay transfer duty?

Answer: No. Sales of property subject to VAT will be exempt from transfer duty. If, however, you buy from a private individual and therefore don't have to pay VAT, normal transfer duty will be payable. There will be no VAT payable on the transfer duty.

Question: Will VAT be payable on the agent's commission and conveyancing charges?

Answer: Yes. Both the estate agent and the attorney are supplying a service in the course of their enterprise and VAT must be charged on the cost of those services. The rule is commission plus 12 percent.

Question: Will I have to pay VAT if I buy a sectional title unit?

Answer: The answer here again depends on who you buy it from. Transactions subject to VAT are "the taxable supplies of goods or services by any vendor in the course of furtherance of his enterprise".

Thus if you buy a sectional title unit from the man in the street who has sectionalised the block in order to sell off the units, he clearly falls within the scope of the above definition - you will have to pay VAT.

The definition of "goods" includes land and improvements, sectional title units, shares in share block companies and time-share interests.

GROUP AREAS TRANSFERS

FM 20/9/91.

Pay and pay again

(123)

If the victims of apartheid who used legal technicalities to circumvent the notorious Group Areas Act have learned one lesson, it's that there's no such thing as a free lunch when it comes to property ownership.

Commendably, government has moved to legitimise property purchases made before the abolition of the Act, which were registered with close corporations (CCs) or nominees to enable people to buy across the colour line. The Abolition of Racially Based Land Measures Act, which marked the death of group areas on July 1, permits residential or business property acquired by a white person on behalf of a black person in a white area to be transferred to the real owner free of charge.

However, it is becoming clear that the new Act, though well-intentioned, has its shortcomings. Among them is the fact that while the deadline for free transfer expires at the end of the year, there are many affected who are still unaware of the opportunity (*Property* August 23).

Furthermore, those who are aware are discovering that the only free element of the transfer is the actual reregistration — an item which, incidentally, such buyers probably had to pay a premium for in the first place if the property was registered in the name of a company.

After that, it is a case of shelling out money at every turn. In the first place, there are the legal fees; attorneys, while necessary, are seldom cheap. But that is not the end of it. When the property owner is finally in a position to have the property registered in his own name, he discovers he must, at the very least, reregister the existing bond (in the name of the close corporation) in his own name. The law requires the mortgager and property owner to be one and the same.

The cost of this exercise alone is likely to be about R1 200 for a R100 000 bond; these fees will have been paid more than once in most cases.

For many, the bond is only the tip of the mortgage iceberg. They are discovering that they actually have to apply for their home loans anew because, in some cases, the white nominee in the close corporation signed surety for the loan. As that surety no longer applies, the homeowner has to re-apply for a mortgage giving details, such as proof of income.

The *FM* understands that the lending institutions are bending over backwards to assist in smoothing the way for these re-bonding applications, often not charging processing fees for valuations and other costs usually levied during the purchase of a property. Even so, people are finding they're paying dearly for a technicality and, ulti-

mately, for apartheid legislation that was not of their doing.

The principle is clearly unfair and will cost an extra R4 000 on a R100 000 property. Perhaps fortunately, only a few people took advantage of the nominee and close corporations systems to buy across the colour line, though the exact numbers are not known. While some institutions and multinationals used the nominee system specifically to enable black staff freedom of choice in terms of where they lived and owned property, they are staying tight-lipped about how extensively the system was applied and there are obviously no official statistics available.

However, a clearer picture emerges from a Rondebosch estate agent in the Cape. The agent, who has asked not to be named, says he has, over the years, kept a computer record of all property transactions in the middle-class suburbs of Rondebosch East and Kenwood. These suburbs have a total of about 4 500 properties of which about 600 homes were bought through CCs or family trusts specifically to get around the Group Areas Act. There were other close corporation purchases, but these were made for different reasons.

"I wrote to these 600 people, or CCs, about the Abolition of Racially Based Land Measures Act and its implications, offering my services," he explains. "The response was good and most of those who came back to me

were aware of the new legislation. However, they were finding the process of gearing up to make the change slow. One reason is that attorneys are a little hesitant, still fishing around to see what needs to be done.

"Nevertheless, some of the properties have gone through the process and been reregistered with little or no difficulty."

He adds that most of those who have already had their homes transferred into their own names have been shocked by the cost of the so-called free transfers, particularly in terms of reregistering bonds.

A future amendment to the Act should make provision for compensation. ■

GORDON'S BAY

Setting sail

FM 20/9/91

It took longer than planned but the ambitious marina development at Gordon's Bay on the Cape coast got under way this week when builders moved on site.

The Harbour Island development is the first fully fledged marina on the False Bay shoreline, according to the developers. Anglo American's Marina da Gama across the bay near Muizenberg was designed as a marina, with direct sea access, but the plan was altered and there is no open channel.

Harbour Island will include a harbour for

continue

FM 20/9/91

THE TIDE COMES IN

Some people are convinced that a tourist boom is inevitable. Among those prepared to back the belief with action (and funding) are Brookes Hill (Pty), developers of Port Elizabeth's R80m-plus Brookes Hill Development. The scheme is a mixed one and includes provision for

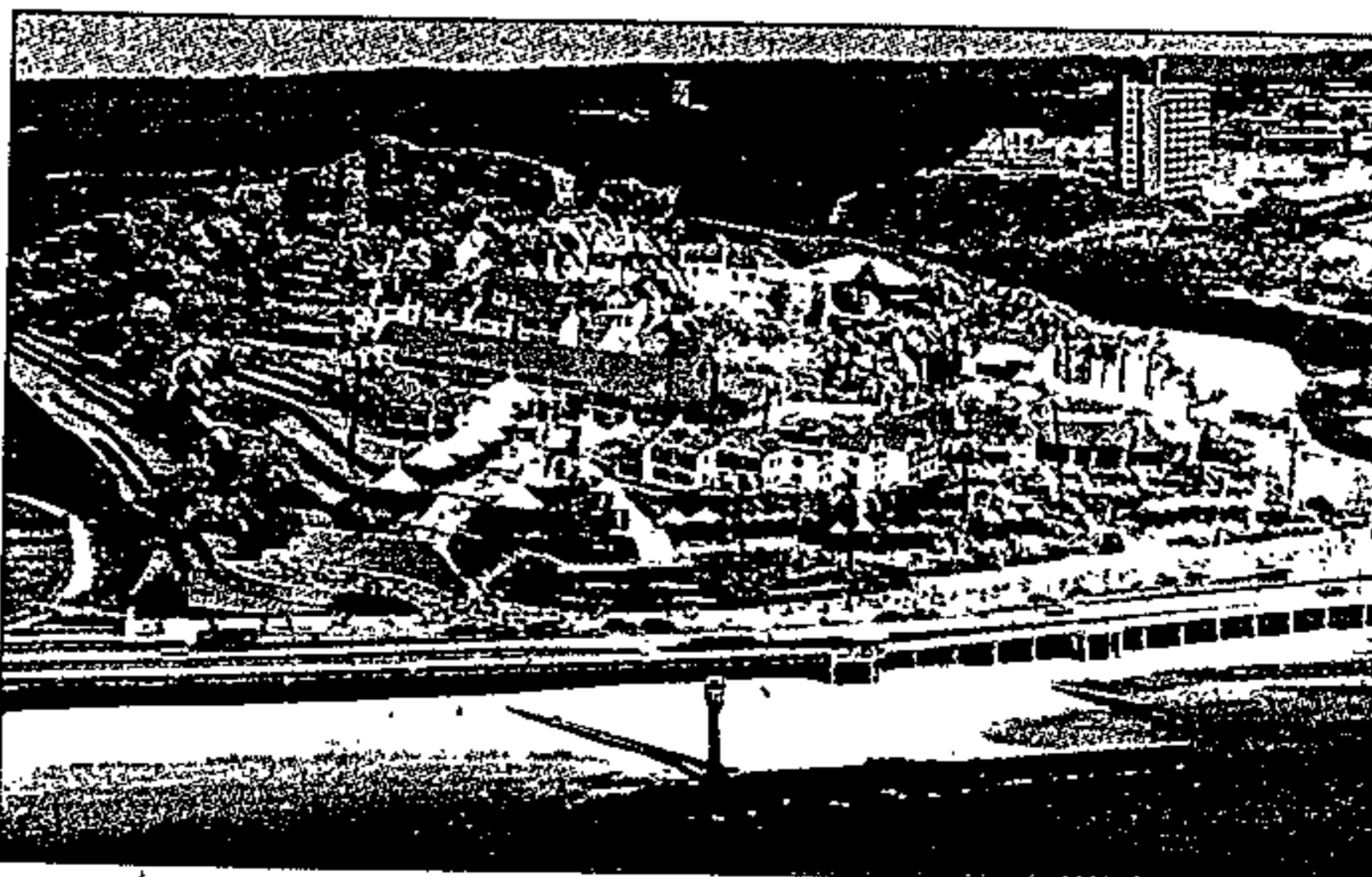
hotel and conference facilities, a health spa, including health and beauty clinics, and shareblock chalets.

Work on the project is expected to begin within the next month or so for completion in a few years.

The development will occupy a 5,9 ha

site on Brookes Hill off Beach Road, Humewood, adjacent to Port Elizabeth's Happy Valley.

The hotel will initially have conference facilities for 600 delegates and shareblock chalets will be sold on an eighth-share basis — each owner will be entitled to spend six weeks a year there.



Shock for home-owners

Bond rates to rise on October 1

Star 21/9/91 SVEN LUNSCHÉ 123

LEADING commercial banks and building societies yesterday announced shock increases in bond and prime rates of 0,25 percentage points to coincide with the introduction of VAT on October 1.

And in a double blow to consumers, the institutions indicated that that they were considering lower interest rates on savings.

The increases in lending rates come at a time when embattled consumers and businesses were hoping for a cut of about 1 percent in interest rates by the year-end.

However, a cut in rates has become more unlikely, as VAT is set to lift consumer prices and higher interest rates are essential in controlling inflation.

The increase has met with anger by business and community organisations.

The latest rate increases will push up the bond rate from 19,75 to 20 percent and lift the monthly repayments by R20 a month for home-owners with outstanding mortgages of R100 000.

Monthly payments

For mortgages valued at R50 000, the monthly payments will rise by roughly R10, and for bonds of R150 000 by about R40.

The prime rate — the overdraft rate charged to bank's biggest and best customers — rises from 20 to 20,25 percent, but most businesses and consumers will pay far higher rates.

Bankers earlier this month persuaded the Government to drop plans to impose a turnover tax on banks and instead to introduce a tax on their capital bases as a substitute for VAT.

Industry sources estimate that the tax will cost the country's institutions roughly R220 million in additional charges, and the latest adjustment to rates will enable the financial institutions to recover the costs.

Announcing the increases, First National Bank senior general manager Viv Bartlett said: "As a result of the new tax to be levied on banks and other financial institutions in lieu of VAT, and the resultant squeeze on margins, the bank will have to take appropriate steps to recover these costs.

"In doing so, we are mindful of the further pressures on business and household incomes in the current economic circumstances."

Other institutions to follow FNB's lead yesterday included Nedcor, which includes the Perm and Nedbank, and Amalgamated Banks of SA (Absa), the holding company for the UBS, Allied and Volkskas.

Standard Bank and Natal Building Society spokesmen said it was likely their organisations would follow suit after meetings on Monday.

Bond rise

● FROM PAGE 1.

A spokesman for a real estate group, Scott McRae, slammed the hike as "appalling, dismaying, but not surprising". Star 21/9/91
"Many home-owners who have been hanging on in the hope of some slight relief from one of the highest bond rates in the world may well now just give up," he said.

The tax could "easily" have been absorbed rather than being passed on to "the hard-pressed home-owner, who is already carrying the burden of one of the highest direct and in-

direct tax rates in the world and rampant inflation. 123

"The economic benefits of greater consumer confidence would have far outweighed any greater costs to the banks. Housing is South Africans' one certain way of acquiring wealth."

Sally Motlana, president of the Black Housewives League, said the hike would affect black people worst.

Lyn Morris, chairman of the South African Housewives' League, said the new hike was "very worrying".

"I hope it does not mean more repossession, because lots of people have houses but no work," she said.

● TO PAGE 2

ARG 2/19/91 (123)

House prices set to rise 6% because of VAT

JEREMY REES

Weekend Argus Correspondent

TAXATION and inflation in South Africa are throttling investors and the noose will tighten even more with the introduction of Value Added Tax (VAT) on September 30.

But these factors make property investments that much more viable.

Experts agree the South African property market is grossly undervalued in world terms even in cases where prices have risen dramatically in the past year or two.

The residential property market has unique opportunities with the prospect of the redistribution of wealth in the new South Africa and the inevitability that large numbers of presently poorer people will soon be able to enter the housing market at some level.

A pressing demand for residential property in former white areas is likely to be unleashed as blacks are promoted to senior posts in the government and private sectors and be-

come eligible for subsidised loans.

This will take time, but meanwhile property prices will be pushed up from the lowest price ranges as the demand grows.

The negative factors of the current violence and crime in the country and the uncertain political future are unlikely to affect property values in the long term.

The potential of residential property is reflected in the current sectional title property market in Cape Town, Durban and Johannesburg where flats are being snapped up as fast as they are put on the market.

As far as houses are concerned, one problem is affordability as the average cost of a house in the former white areas is assessed by United at about R125 000.

And a Cape Town builder estimates that the cost of building materials is rising by 1,5 percent each month — which is adding to the cost of new homes. When VAT takes full effect the cost of new homes is estimated to rise by at least six percent.

Bond bomb for homeowners

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CPren 22/9/91

123
By DERRICK LUTHAYI and Sapa

AT a time when homeowners were expecting a drop in bond interest rates, South Africa's major financial houses have increased them – and, they say, VAT is to blame.

Shell-shocked consumers, already reeling from escalating living costs, and unscrupulous traders and professionals who have started exploiting VAT, now face higher bond repayments.

Vatwatch chairman Prof Louise Tager said consumers' inadequate knowledge of VAT and attempts to use it as a reason to increase prices were causes for concern. Vatwatch was following up all suspected cases of unjustifiable VAT-related price increases.

In one case, a butcher had begun charging VAT claiming he was letting people get used to the idea and was therefore alleviating the shock of its introduction on September 30.

Many other financial institutions are sitting on the sidelines before taking their decisions on what they will do with their prime and bond rates.

First National Bank said on Friday its rates would be increased by 0,25 percent as a result of the introduction of VAT-induced taxes and the newly formed Aamlagamated Banks of South Africa (Absa) also said it would be pushing its rates up by a similar percentage.

FNB said the increase was as a result of the new tax to be levied on banks and other financial institutions in lieu of VAT.

FNB's senior general manager and chief financial officer, Viv Bartlett, said on Friday the move was a result of a squeeze on margins and the bank was forced to take steps to recover costs.

He said the prime lending rate would also be increased by 0,25 percent from October 1.

"In doing so we are mindful of further pressure on business and household incomes in the current economic circumstances. We stress, however, that this increase is well below the necessary level to ensure full recovery of this new tax.

"We regret that these steps have become necessary and trust they will be seen in the context of the direct impact of the introduction of VAT.

Absa said it had been decided to increase the prime lending rate of banks within the group by 0,25 percent across the board from the beginning of October.

In addition, interest rates on mortgage bonds would go up by 0,25 percent for Allied and United bonds at the beginning of November and for Volkskas at the beginning of October.

Absa said: "These increases will only provide for a partial recovery and it will be necessary to recoup some of the cost through a reduction in the cost of funds and other measures."

Other major institutions did not react on Friday, but it was said most would probably follow the same path.

The bond market is intensively competitive and this could play a major role in the setting of rates in coming months.

Terrible

Meanwhile, the Consumer Council has reacted strongly to the upward rise in rates. Spokeswoman Ina Wilken said the consumer would be hard hit by the increase in both the prime lending rate and interest on home loans.

"I think it's a terrible decision. The Consumer Council requests all financial institutions to carefully take into consideration the plight of the consumer before following the example of First National Bank."

Meanwhile, Rand Merchant Bank economist Rudolph Gouws says a widespread tax revolt will have serious consequences for the South African economy.

Gouws was reacting to the statement by the Coordinating Committee on VAT (Cocom) that the implementation of VAT could lead to mass civil disobedience which could include resistance to all taxes.

"Of course one would need more details before a proper comment could be made, but depending on the percentage of taxpayers involved, such an exercise would have a severe impact on State finances if a large number participated."

Cocom had also warned that a number of medical practitioners – members of the National Medical and Dental Association (Namda) – would also refuse to pay VAT to the government.

Commenting on this, the director of Health Policy of the Medical Association of South Africa, Reg Magennis, said Masa did not encourage its members to defy the Income Tax Act.

"However, we do have great sympathy with Namda's viewpoint on VAT charged on medical services."

Housing scheme stalled by aid cut

S Times (Sun) 22/9/91
By TERRY BETTY

STATE spending on low-cost coloured housing has been slashed.

House of Representatives director of housing Anton Fuchs says reduced cash allocations for coloured affairs have caused the cuts.

One of the more successful projects to get the axe is the Delft scheme on the Cape Flats.

Mr Fuchs says there will be no State financing for new houses at Delft this year. But

the authorities will honour unfinished contracts.

Delft has relied on State loans of R150-million. About R100-million was used for building houses and R50-million for roads, sewerage, electricity and water.

The housing loans are repayable at 13,5% interest over 30 years.

Since work began at Delft two years ago, 3 000 houses have been built in two towns. The towns have schools, community and shopping centres.

Development can continue with private-sector financing, but costs will rise because money will have to be borrowed at market rates.

Transfer

Delft project manager James Slabbert says this will raise costs of serviced sites from R7 500 to R10 000.

To compensate, smaller houses will have to be built. At present they sell for between R25 000 and R30 000.

Mr Slabbert applied for R16,5-million from the proceeds of strategic oil sales, but he was turned down. He now appeals to the private sector.

Financial institutions have agreed to provide 450 loans at market-related rates if individuals qualify and if their employees guarantee 20% of the loan. So far 34% of 2 000 applicants have received this guarantee.

The banks provide the cash only after the house is built and the buyer takes transfer, but the builder needs money up front. Mr Slabbert has

asked the South African Housing Trust (SAHT) for bridging finance.

This will increase the cost of houses and place them beyond the reach of many.

Mr Slabbert has asked the State Housing Board to arrange a first-time house buyer's subsidy. This would supplement the buyer's interest payments over seven years and amounts to about R7 500.

In the eighth year the buyer would repay the full amount.

Delft was listed by CSIR as one of the most successful low-cost housing projects. It has a computer-based selling system enabling buyers to choose a house and organise financing in two days. They also have a pre-paid meter card system ensuring that all residents willing to pay for electricity receive it.

The houses are designed with a minimum of fittings that can be removed by defaulters.

The De Loor task group has said the solutions found at Delft can be applied wherever rapid urbanisation is taking place, says Mr Slabbert.

By JULIE WALKER

BEARING MAN was bid at a ahead of a merger of the bearing businesses with those of Anglovaal Steelmetals.

Steelmetals will win control will be made to Bearman minor asset value — the directors say exceed 450c. Anything above that as a dividend. Bearman was only

Opportunities such as Bearman in a market both nervous of industrial blue chips yet cheery golds.

Anglovaal Industries has picked R119 in the past two weeks. From R91 to R102 — it was November.

W&A companies were active results. W&A went to R5,70 on but retreated to 520c on disappointment.

Barlows perked up in big volume sale of Middelburg Steel & Al almost R5 to R52,25 before easing.

Samancor firmed 325c to R30,5 and Vansa leapt from 72c to easing to 105c. It is calculated more than 155c a share as a cash

figures

(194) *(244)*
W R O W

By DIRK TIEMANN

creases. In the current competitive environment, we are struggling to pass them on.

"This year the price of raw material from the mills has risen only once — by 12% to 15%. This is the first time that increases have been so low. In the past prices have gone up twice a year."

The cost of packaging could be one of the biggest factors lifting processed food prices. Corrugated cardboard is used mainly for outer containers for food.

Check

CSS bases its PPI estimates on replies received from manufacturers. It is difficult to understand why its increase is much higher than those given by the Big Three.

CSS deputy director David van den Heever says: "We send our questionnaires to a representative sample. Although we cannot disclose the figures supplied by respondents, we check them."

"When there is an anomaly in a price, we check with the manufacturer. We also quote the last price he gave us on the new questionnaires."

Civils struggles

THE Government's restrictive monetary policy to reduce inflation has left the civil engineering industry in trouble.

The SA Federation of Civil Engineering Contractors says the tempo of construction has declined markedly and little new work is on offer. 22/9/91

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Rabie hit by collapse of black market

123 CT 23/9/91

MAGGIE ROWLEY
Deputy Business Editor

THE collapse of the black housing market countrywide due to widespread civil unrest in black residential areas pushed Cape-based developers Rabie Investment Holdings into the red for the year ending June 31.

A R7m write off due to being compelled to close its Natal operations saw the company incur a loss of R7,4m for the year to June 31 against a profit of R5,7 the previous year.

Chairman John Rabie said the company had now withdrawn completely from the black housing market which had constituted 70% of group turnover since 1988 and shifted its focus back to its traditional area of operation — the development of exclusive and unique projects in prime areas mostly in the Western Cape.

"Feuding between local authorities and rival political groupings, coupled with general lawlessness and politically inspired violence created such an unstable environment in black areas that it became impossible to carry on business.

"The situation was exacerbated by bond boycotts which stopped financial institutions from making funds available for township developments. This has resulted in the provision of housing in the R30 000 to R70 000 bracket virtually coming to a standstill countrywide. We were the last to withdraw, all other major developers have pulled out of black residential areas."

Rabie said they had been extremely hard hit in Lamontville and Chester-ville outside Durban where they had sold all 220 houses in a development planned on land allocated to them by the Natal Provincial Administration.

"The Civic Association got an interdict preventing us from developing these homes on the grounds that the land was not ours to do it. The situation became impossible as we were used as a tool to get at the government and were forced to withdraw," he said.

The loss incurred in Natal was the result of selling their interest in de-

velopments there and in writing down unsaleable land to net realisable values.

Rabie said they were negotiating with the authorities to be reimbursed for some of this land, amounting in total to about R1m.

Operating income before interest and tax plunged 92% to R535 000 on a sharply lower turnover. Net income attributable to shareholders and before the losses incurred in the Natal operation showed a deficit of R406 000 against a profit of R4m the previous year.

Earnings at the share level showed a deficit of 2,1c against a profit of R20,8c a share in 1990.

Rabie said the ongoing recession had also made trading conditions for Kwikspace Holdings, the prebuilt accommodation business, in which Rabie holds 40% and Murray & Roberts 60%, very difficult. However, the company had made a contribution to operating income and prospects for the current year were strong with three large exports orders to other African countries firmly in place.

"In addition Kwikspace which produces portable accommodation is ideally placed to benefit from the recent announcements of the the Independent Development Trust and Minister Dawie de Villiers in respect of government expenditure for schools, classrooms, housing and police stations.

"This will remain our only exposure to the black housing market."

He said he was confident the refocused group had turned the corner and would be back in the black during the current financial year.

"Exciting development opportunities have been secured such as the R100m Dolphin Beach development on Table Bay and 80% of this project, on which construction has started, have been sold.

Other projects being pursued by the group in Constantia, Hout Bay, Bellville, Newlands and Clifton would form the backbone of operations during the next two years. Future growth also lay in further commercial and retail developments and in the sectional title flat market.

Fiat makes cuts

TURIN, Italy. — Auto giant Fiat said yesterday it plans to lay off 50 000 workers for one week next month to cut car production. — Sapa-AP

New bill to scrap coal

27
CT 23/9/91

19 September 1991
issuing shares at the current market

COMPANIES

Unrest forces Rabie out of black housing market

B(Daw) 23/9/91

123

LINDA ENSOR

CAPE TOWN — The "disaster" in the formal black housing market has led to the withdrawal from this sector of property developer Rabie Investment Holdings, which plunged into the red in the year to end-June.

The violence which wracked Natal and the bond boycott in the western Cape finally made it untenable to continue developing houses in black areas which in the past generated 70% of group turnover, chairman John Rabie said on the weekend.

The costs of the withdrawal resulted in an extraordinary write-off of R7m in the year to end-June, which came on top of a R406 000 attributable loss. In 1990 the Cape-based developer made an attributable profit of R4m, 35% down on the 1989 performance.

Earnings a share fell to a loss of 2,1c from the previous profit of 20,8c and due to the need to conserve working capital, no dividend has been declared.

"Feuding between local authorities and rival political affiliations, together with political violence and intimidation, have made development impossible.

"Bond boycotts have caused the financial institutions to severely cur-

tail lending to the townships. Development in the R30 000 to R70 000 bracket has virtually come to a standstill nationwide," Rabie said.

"Until there is a national housing strategy and building societies start approving loans, there is no reason to return to the black market."

The group says it will concentrate on exclusive projects in prime areas, only retaining an indirect interest in the black market through its stake in Kwikspace Holdings, the pre-built accommodation business in which Rabie holds 40% and Murray & Roberts 60%.

Contribution

Rabie said the R7m write-off arose from the sale of interests in township developments and the write-off of unsaleable land.

Difficult trading conditions resulted in a reduced contribution from Kwikspace Holdings. Utilisation of rental fleets was down to about 60% from 75%.

Rabie's turnover index dropped 18% while operating income plummeted 92% to R535 000 (R7m). This was totally wiped out by an interest

bill of R1,2m.

There was a sharp escalation in long-term debt to R3,8m (R303 000) because of the need to finance the withdrawal from geared up projects. Off balance sheet financing through a joint finance company had to be bought on to the balance sheet.

Rabie said gearing should improve by the end of the year.

He said there was no doubt that Rabie would return to the black by year-end as it was involved in a number of exciting developments such as the R100m Dolphin Beach sectional title complex on the shores of Table Bay, which is 80% sold and others such as the R50 to R60m Seaglades in Hout Bay, two R10 to R15m projects in Constantia and others in Bellville, Newlands and Clifton.

He said that while the property market was not booming, these projects were all well located and largely pre-sold.

Kwikspace, which owns Zozo, should benefit from IDT and government programmes to build classrooms, schools, houses and police stations. Kwikspace also exports portable accommodation to neighbouring countries such as Kenya, Malawi and Zaire, with new opportunities opening up in Angola.

PUBLIC SECTOR

123 25 2319191

IDT set to raise \$75m in London

Own Correspondent

LONDON. — The next major public South African bond issue, by the Independent Development Trust (IDT) in about six weeks time, will seek to raise \$75m, say European financial banking sources.

But because the IDT issue will be in dollars, it will be a "different ball game" to the highly successful DM400m government bond issue last week, lead managed by Germany's Deutsche Bank, said one banker.

He said the dollar market differed from the German one because instead of largely retail investor interest, institutional investors would have to be targeted.

However, he said he believed the IDT could "build on the success" of the government bond issue, which had "attracted a lot of attention from the market".

The banker said he expected the issue to be carried out in London, lead

managed by a US bank. Like last week's, it would be a medium-term five-year issue.

Commenting on last week's issue, the banker said its success shows there are "a lot of loyal investors out there".

The South African Department of Finance had "applied the right strategy of rewarding loyalty by giving a nice political risk premium".

The SA government bond offers an interest rate of 10.5%, compared with 8.4% on German government bonds.

He said as political and economic stability grows in South Africa, this premium could expect to come down gradually.

Although the South African government won't be issuing any more frequently than it did in the private placement market, the IDT is expected to lead a string of non-government South African borrowers likely to tap the Eurobond markets every six to eight weeks, bankers say.

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TURIN, Italy. — Auto giant Fiat said yesterday it plans to lay off 50 000 workers for one week next month to cut car production. — Sapa-AP

New bill to scrap coal

CT 23/9/91

the Sebokeng College of Education held an "open day" celebration called "The Art Day." Here students entertain guests with traditional dancing and songs. Pic: LEN KUMALO

More land for poor urged

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THE Administrator of the Cape, Mr Kobus Meiring, yesterday called on all municipalities to make land available for the housing of poor communities who need to live close to their workplaces. *Ballun 24/1/91.*

Meiring said local councils and the public should realise that enforcing one-sided legislation was not the solution. People should be aware of the need to uplift the poor community. - *Sapa*

Town honours ambassador to Denmark

CAPE TOWN — SA's ambassador-designate to Denmark, Conrad Sidego, yesterday received the freedom of Tulbagh. ~~3/10/91~~ B/Daw

Speaking at the award function, former Anglo American public relations official Sidego said change and democratisation in SA were unstoppable and irreversible. 24/9/91
SA's citizens had to ensure, by tak-

ing an active interest in the political process, that their will was impressed on the new constitution.

Blacks and whites were equally the victims of SA's politics, he said.

Sidego, who leaves SA on Sunday to take up his post in Copenhagen, said he would encourage Danish businessmen to become more involved with SA. — Sapa.

Robert Beaumont said he expected the trees, including palms and pin-oaks, to do well in Cape Town, as the soils there were better than on his 35ha Brits farm.

All the trees bought by Equicor were suitable for Cape Town.

Although the technique had caused controversy, Herschon said he was happy the project was keeping the environment green. Also, it lessened the subjective reaction of people to specific architectural styles.

Firearms 'part of the household'

B/Daw 24/9/91
ABOUT 1.6-million white urban South Africans live in a household with a firearm, a survey by Market Research Africa (MRA) has found.

MRA said yesterday its Sociomonitor survey of 2 211 urban adults found late last year that 56% of Afrikaans-speaking households had firearms, compared with 38% of English-speaking households.

In the A income group (with a household income of more than R8 000), three out of five households had a firearm.

Fifty-three percent of B income households had firearms, as had 31% of D income households.

Those living in small towns and villages

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Business Day Reporter
were more likely to have firearms (59%) than those in metropolitan areas (41%).

Firearm possession was highest in Transvaal (52%), followed by the Free State (47%) and the Cape (43%). The lowest incidence was in Natal (42%).

MRA chairman Clive Corder said: "The high occurrence of private ownership of weapons in SA is creating considerable anxiety.

"Many people who have had no formal training in the use of firearms have potential access to a dangerous weapon," Corder said.

ICE

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Top SA ^{(123) ET 24/9/91} agencies to co-operate

Own Correspondent

LONDON. — The Kagiso Trust, the Independent Development Trust and the Development Bank of Southern Africa are to work together on major development programmes to end decades of apartheid deprivation in the black townships.

At a meeting in Brussels yesterday, senior representatives of the three bodies met European Commission officials to discuss future co-operation.

Joint action by them will combine Kagiso's grass-roots credibility with the expertise of the two other bodies in a nationwide infrastructure development programme.

The dramatic upliftment of the townships over the next few years is seen as crucial if stability is to be achieved in a post-apartheid democracy.

At the disposal of the development agencies are the IDT's R2 billion from the government, the Kagiso Trust's EC funding which totalled about R120 million this year, and further funds which both the IDT and Devel-

opment Bank hope to raise in the coming months on the European financial markets.

Attending yesterday's meeting were the head of the IDT, Mr Jan Steyn, Development Bank chairman Dr Simon Brand, Kagiso Trust national director Mr Ahmed Dango and its general secretary, Mr Erico Molobi.

Among officials the South Africans met were Mr G Livi, the Commission's director for Southern Africa, and Mr Dieter Frisch, director-general of its development division.

A Commission spokesman said afterwards that the meeting was "very interesting and very positive". He said it was the first time they had met IDT and Development Bank representatives.

Mr Dango said the meeting discussed "the changing circumstances inside South Africa, where development will play a key role in the whole process of change".

The aim was to establish "some framework within which a development programme can effectively be implemented in the next two or three years," he said.

LOOTING

ARG 25/9/91

US bank pledges R250-m backing

RAMSAY MILNE

The Argus Foreign Service

NEW YORK. — One of America's biggest investment banks has pledged its support for international efforts by South Africa's Independent Trust (IDT) to raise at least R250-million to help relieve poverty in black communities.

J P Morgan's announcement in New York coincided with the release of a statement in London disclosing that IDT's chairman, former Supreme Court Judge Mr Jan Steyn, will lead a team of experts to make representations in London, Zurich and Frankfurt to raise this sum through a Eurobond issue in November.

Funds raised by the bond will be used to build schools and provide clinics and clean water in rural communities.

J P Morgan, which will lead the bond issue, is the first major American financial institution to announce publicly its support for a South African project on this scale.

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But a spokesman for J P Morgan said it would be surprising if the bank's support for the trust's development programme raised any criticism in the United States.

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Economy housing expo in Evaton

Swelam 26/9/91

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MORE than 40 private companies and individuals will participate in the Golden Highway Housing Expo near Evaton from September 25 to October 9.

The public will for the first time be granted an opportunity to see the types of houses that developers can build in the R5 000 and R10 000 price range.

The companies and individuals will build 90 houses, using a wide range of building materials. Experts will be present to supply information on procedures for obtaining a house of one's choice.

By JOSHUA RABOROKO

A competition was launched and the two lucky winners will become the owners of one R5 000 and a R10 000 show house respectively.

Policy

Even with the multiplicity of Government housing departments, the establishments of quasi-Government bodies, private sector bodies and institutions, and the creation of special funds, no single, clearly understood nationally supported policy has emerged to focus the country's energies and to galvanise its resources.

The Golden Highway Housing Expo comes at a critical time when developments, over the past year in particular, reveals that the initiative in the housing field appears to have been seized by organisations such as the Urban Foundation and the Independent Development Trust, with the private sector taking a secondary role.

It will probably be the last thing to decry the achievements of these organisations, for they have been many, but the query is the validity of their position in developing policy with little or no communication with industry.

The time is long over-

due for the creation of joint construction industries forums in order to create synergy between the activities of the various bodies in the private sector, so that it may be part of the policy development and not merely a recipient in the policy implementation.

Such forums should, *inter alia*, address issues related to housing policy, education and training, safety and loss control, economies, and standardised, relevant documentation.

It is time for all private sector bodies, who are involved in addressing the country's most pressing problem, join hands and develop a common vision.

Leisure property buyers



Are you thinking of delaying to purchase a home? Well think again because your R120 000 home of today may cost more than R700 000 by the end of the decade



Guidelines on VAT property sales issued

Sowetan 26/9/91 *R23*

THE imminent application of Value Added Tax on September 30 has spurred the property industry to issue guidelines.

Last week saw the publication by Ampros of a publication on VAT and its implications for players in the market.

Though admittedly an administration hassle, most people associated with the property market have welcomed the introduction of VAT.

Summing up its thrust, Mr Lawrence Kaplan of Werksmans says most sales of commercial or industrial property will be subjected to VAT, as the seller would generally be a vendor as defined by the VAT Act.

A vendor is defined as a person or entity who or which conducts an enterprise with a turnover exceeding or likely to exceed R150 000 a year.

"Commercial or industrial property which has not been developed and which is sold by a person on entity not defined as a vendor by the VAT Act, will not be subject to VAT.

"If the purchase is a vendor as defined by the Act, however, he will be entitled to a notional input credit payable either by that credit being set off against his output taxes (for the tax period in question), or at latest, within 21 days of the submission of his VAT return for the tax period in question," he said.

Sowetan Reporter

Kaplan says it is important to note that, where industrial or commercial property is being sold through the sales of the close corporation or company owning it, no VAT will be payable on the sale of the shares (unless it is a shareblock), nor on the sale of members' interests - or on the cessation of the loan accounts.

There will, however, as has always been the case, be a stamp duty of one percent of the consideration attributable to the shares.

Kaplan highlights one of the major advantages of VAT for the property industry.

"The effect of VAT is that whereas in the past, transfer duty of five percent would have been payable on the sale of a commercial or industrial property to a company or close corporation, a transaction of that nature is now subject to VAT and tax neutral both from the seller's and the purchaser's point of view.

The reason for this is that the seller will pay 10 percent VAT on the purchase price which he will usually build into the purchase price, and thus collect, and the purchaser, and purchaser, will obtain an input credit in respect of the transaction.

High rates could kill recovery in property market

80 welfan 26/9/91
LAND prices are now more realistic, judging by the increased tempo of sales.

And the Government has been warned of the consequences of possibly raising bond rates once again.

A spokesman for Camdon's Group said, by way of example, a prime piece of land bordering on Nicol Drive and on which a second "Fourways Gardens" type residential area will be developed, had sold to an investor for R1,7 million.

It is proposed that the 14,5ha expanse of land in Bryanston's Magaliesig extension 31 area be subdivided into 112 stands and will be marketed in a number of sections to spec builders.

"It is understood that proclamation and servicing will be completed early next year.

The spokesman was commenting on speculation that in view of the renewed

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upsurge in the inflation rate, Reserve Bank Governor Mr Chris Stals could be tempted to raise interest rates.

He said this would result in "overkill" of the property market at a time when it was deliberately poised to make a strong recovery.

"One understands and sympathises with the planners' intention of wringing inflation out of the economy," he said, adding "boosting exports and reducing imports to protect the balance of payments, so allowing South Africa to meet its international debt obligations, is supposedly one solution.

"There are two very distinct schools of thought as whether high interest rates curb inflation or encourage it - Government planners say the former, some important private sector voices believe the latter," he said.

Property sales have been a big let-down

RELAXATION of the Group Areas Act was an important political development, but has proved to be something of a damp squib in terms of the property market, according to Camdons Group MD Mr Scott MacRae. *Sowetan 26/9/91*

This, however, does not suggest that in the long term the changes won't bring additional impetus to the property market, he says.

"Politically and economically it was a sound move, but for the moment the full benefits are being diluted by unrest and the general economic climate," he points out.

Other factors, such as high bond rates which were influencing the property market, were also having a negative effect.

Soaring property prices made it difficult for all but the wealthy black, Indian or coloured buyers to sell their existing homes.

The anticipated racial problems have not materialised to any degree, he says.

Willing

There are plenty of willing buyers and willing sellers of all races. Racial objections have been raised in some areas, but they are conspicuous by their absence in general.

The biggest stumbling block is the unrest, he says. "This is hardly conducive to normal property trading conditions. There are of course ultra-wealthy black, Indian and coloured buyers and they are buying into the prestige white suburbs, irrespective of the unrest.

But most middle-class buyers relied on selling their existing property before buying a new one.

The banks and building societies are reluctant to advance bonds in unrest areas for obvious reasons. They must protect their investment.

The business climate has made it difficult for many bond holders, both black and white, to maintain their payments.

Don't delay in buying your new home

ARE you thinking of delaying to purchase a home? Well, think again - because your R120 000 home of today may cost more

By JOSHUA RABOROKO

than R700 000 by the end of the decade.

This is one of the dis-

turbing findings of an analysis of building trends

by experts in the industry that is fast growing because of the shortage of homes in the country.

Camdon's statisticians base their calculations on a compounding increase in building costs between now the year 2000.

If building costs are compounded at 25 percent a year, according to spokesmen, your modest R120 000 home of today will cost more than R1 million to replace within

10 years.

Building costs are at present increasing by some 20 percent each year, they point out, so these figures are not beyond the realms of possibility.

In practice of course much depends on market sentiments.

It may be that the market simply cannot afford those prices. Developers will then stop build-

ing homes that cannot sell and a housing shortage will build up, turning millions of South Africans into propertyless renters for the rest of their lives.

Existing homes would not necessarily increase at the same rate as building costs.

"Incestuous"

But even if one assumes that the gap between existing homes and newly built ones is as much as 30 percent, that still presupposes the R120 000 homes of today will cost around R750 000 within 10 years.

Inevitably, the market will become more "incestuous", according to one expert, with existing property owners trading with other existing property owners while the first-time homeowner may become an endangered species.

"This scenario poses enormous questions for the government of the day.

"Some very advanced thinking is needed to ensure that home ownership stays within reach of the greatest possible number of South Africans," he said.



A home is probably the biggest single investment that you will make in your lifetime. With building costs rising every month, don't delay in making your purchase as soon as possible.

HOUSING LOANS

Financing Low cost property

(123)
Star
26/9/91

Prospective owners of low cost homes have a wide and growing variety of bond financing options open to them. So says Gavin Hardy, executive director of housing at Murray and Roberts Construction.

Traditionally financial institutions have been reluctant to provide bond financing below R35 000 for reasons of economic and political risk and diminished profitability.

Gavin Hardy says, however, recently several institutions and independent development organisations such as the Urban Foundation and Independent Development Trust (IDT) have announced or implemented innovative financing schemes designed to restore dignity by allowing individuals to buy their first home.

Among these schemes are the Loan Guarantee Initiative (LGI). The objective of the LGI is to open the R12 500 to R35 000 sector of the mortgage bond market.

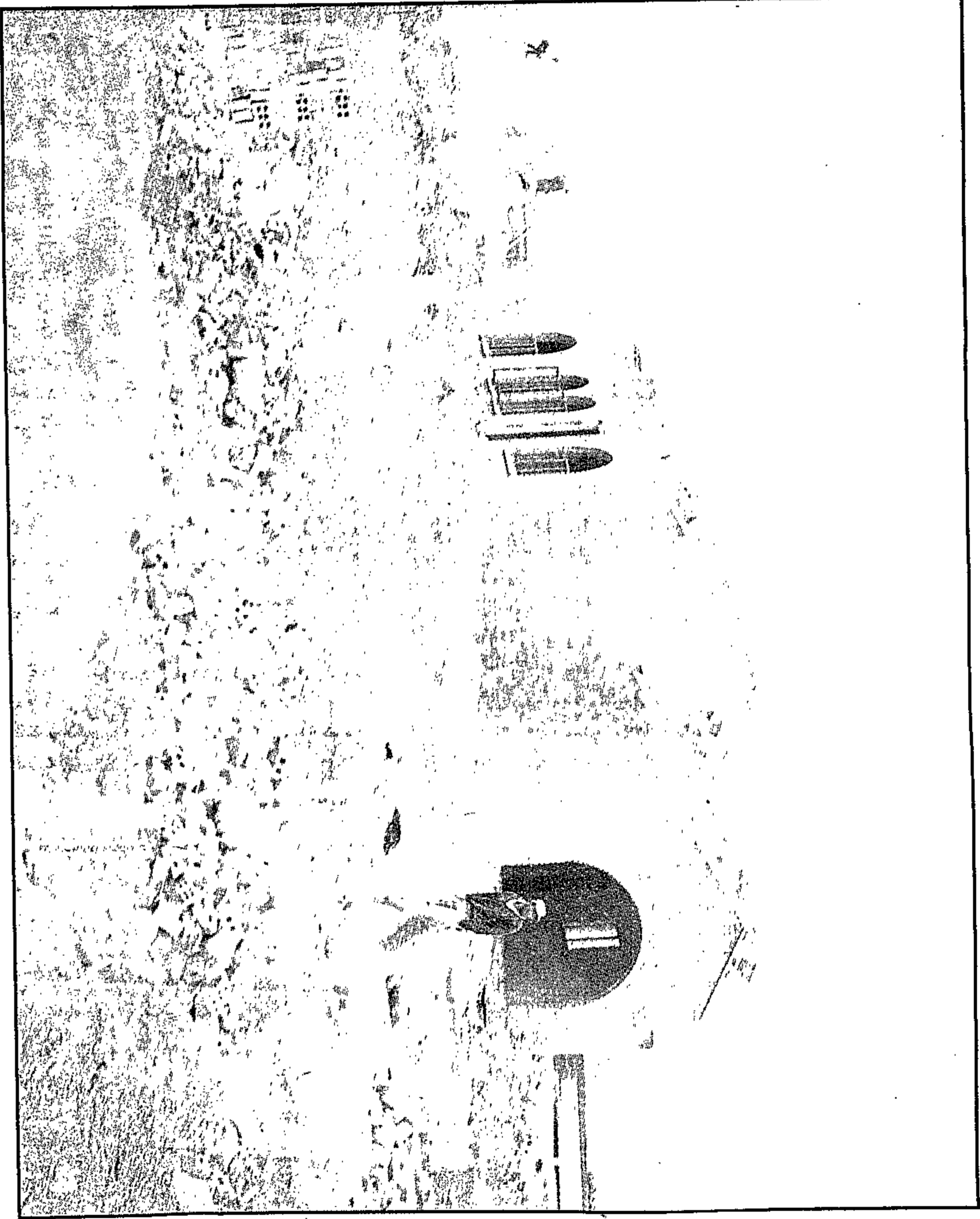
This initiative is all the more significant because it expands the potential market from 10 percent of the black population to 33 percent.

The LGI's insurance is available where the borrower can provide a minimum of 5 percent deposit or an equivalent collateral

guarantee, and the loan value does not exceed R35 000 (exclusive of costs).

With LGI intervention, a property package costing R30 000 breaks down as follows:

- 5 percent Deposit/Collateral (R1 500).
 - 15 percent Deposit Replacement Collateral, a single upfront insurance premium which insures up to 15 percent of the bond depending on the deposit.
 - 15 percent Risk Replacement Collateral, a single up-front payment which covers the institution against "political" risk (R4 500).
 - 65 percent lender's risk (R19 500).
- To finance homes requiring loans under R12 500, ie below the minimum limit of the Loan Guarantee Fund, the IDT and UAL Merchant Bank are involved in a joint venture to raise R500 million from the private sector.
- The details of how projects will be selected and monitored are not yet clear. However, the IDT has identified certain eligibility cri-



No place like home... but the prudent buyer should seek professional advice when trying to raise the cash to buy his first house.

teria for funding. These are:

- The site purchaser must be 21 years or older, have dependents living with him and be a first-time property owner.
- The maximum monthly income of the unit should not exceed R1 000, and neither buyer nor dependents must receive any other housing subsidy.
- Developers, including companies, wishing to initiate special projects to house their workers, should note that projects seeking IDT approval should be near work opportunities and transport.
- The sites must be clearly affordable to the poor, and there

must be little incentive for higher income groups to purchase sites in the project.

Available from Ned-Perm is the Perm Salary Linked Home Loan, wherein repayments are determined as a percentage of the borrower's income. Loans (typically 100 percent) are made to the employees of companies approved by the Perm, and the borrower's compulsory contributions through company pension or provident fund membership are used as collateral.

Instalments are calculated as a percentage of monthly salary for the term of the loan, and the Perm proposes that, over the

life of the loan, the borrower should not pay more than an average of 17,5 percent of salary to service the loan.

Generally the starting percentage is 25 percent (if the borrower can afford it), reducing the 10 percent in the final year.

To qualify, the borrower should earn R800 a month or more, be employed by a Perm-approved employer and be an established member of a pension or provident fund. He also should be able to repay the loan by the age of 55 years.

A scheme based on similar principles has been developed by Old Mutual and the Urban Foundation.

Again, the idea is to make available to borrowers capital tied up in pension and provident funds.

This scheme does not provide finance for the total cost of the housing package. Rather the object is to provide the first-time home buyer with the necessary leverage to gain access to the normal channels of home finance.

Funds released are used for deposits and/or to supplement initial monthly repayments which might otherwise not be affordable.

Features of this loan include the fact that it is made against the member's accumulated

credit in the provident or pension fund. Once the home buyer can afford his loan repayments unassisted, payments (which cannot exceed 25 percent of salary) are made back to the pension fund to make up any backlog.

Throughout the period of the loan, the member remains eligible for the normal death and disability benefits provided by the fund.

For its part, the Urban Foundation has introduced a pilot loans scheme to groups in the western Cape, which is geared to provide finance for those who would not qualify for institutional assistance.

(123)
CT 27/9/91

IDT signs on serviced sites

By BARRY STREEK

THE Independent Development Trust (IDT) yesterday signed four contracts worth R13,7m in the first instalment of serviced sites for low-income families earning less than R1 000 a month.

The four contracts involve 1 827 sites in different parts of South Africa, including a 460-site project by the local municipality at Zwelihle near Hermanus.

The other contracts are a 568-site project by the Zizamele Housing Utility Company at Butterworth in the Transkei, a 628-site project at Tamboekiesfontein Farm by Macsteel (Pty) Ltd near Germiston on the South East Rand and a 171-site project developed by the KwaZulu Finance and Investment Corporation at Kwandengezi Umthikhulu near Pinetown in Natal.

The IDT's director of housing, Ben van der Ross, said at a press

conference yesterday that three more contracts were to be signed yesterday afternoon and this morning and he expected 25 to be signed every fortnight over the next two months.

The IDT had received 404 applications for housing projects for its R750m capital subsidy scheme and had approved 108 applications in principle in July.

In terms of the scheme, the trust will pay a subsidy for R7 500 per site as the transfer of land to the individuals takes place.

Ownership of 99 800 sites, all with basic services, would pass on to individuals earning less than R1 000 a month.

One of IDT's trustees, Dr Mamphela Ramphele, said the serviced sites available to the very poor through the contracts exchanged yesterday only made a small contribution to South Africa's housing needs.

"They are the forerunners, however, in a process which we

hope will lead to a significant impact on the crisis," she said.

Van der Ross said IDT's consultants had paid close attention to the viability of the developments from a socio-economic standpoint, including assessment of transport facilities, job opportunities and prospects for upgrading.

Apart of technical aspects, one of the criteria was the involvement of the community concerned in the project

● Van der Ross said negotiations were in process for a development at Khayelitsha but said he could not give further details at this stage.

● The IDT this week gave a grant of R6m to the Community Health Association of South Africa (Chasa) for intensive tuberculosis case-hold and intervention projects in the Western Cape.

PROPERTY

Sun power for rural areas

CPress 29/9/91

(123)

AS South Africa moves towards a new dispensation, 60 percent of its population still lives in Third World conditions with no electricity in their homes and no running water.

The vast majority of these are rural communities which are unlikely to gain access to the electricity grid in the foreseeable future, if ever. This is because the supply of grid power is uneconomical due to the distances involved and extremely small loads.

For these disadvantaged communities - whose main priority is quality electric lighting and the ability to power their television sets - candles, paraffin and car batteries are a way of life.

While great emphasis is being placed on the provision of housing, we put ourselves on the back when basic structures are provided. Yet no thought is given to providing basic services.

These townships soon develop into modern-day slums - a legacy of what we call "social upliftment". Guilty are local authorities, municipalities and black workforce employers.

Sri Lanka, an impoverished country by South African standards, has risen to the challenge of improving the quality of life for people unable to connect up to the grid.

It recognised the requirement for a more flexible energy supply system to

meet the immediate needs of a widely distributed rural population.

Together with BP Solar Australia, the village of Pansyngama, in central Sri Lanka, was chosen. A survey among its 1 000 households revealed a need no different to that of many South African communities: quality electric lighting and TV packages.

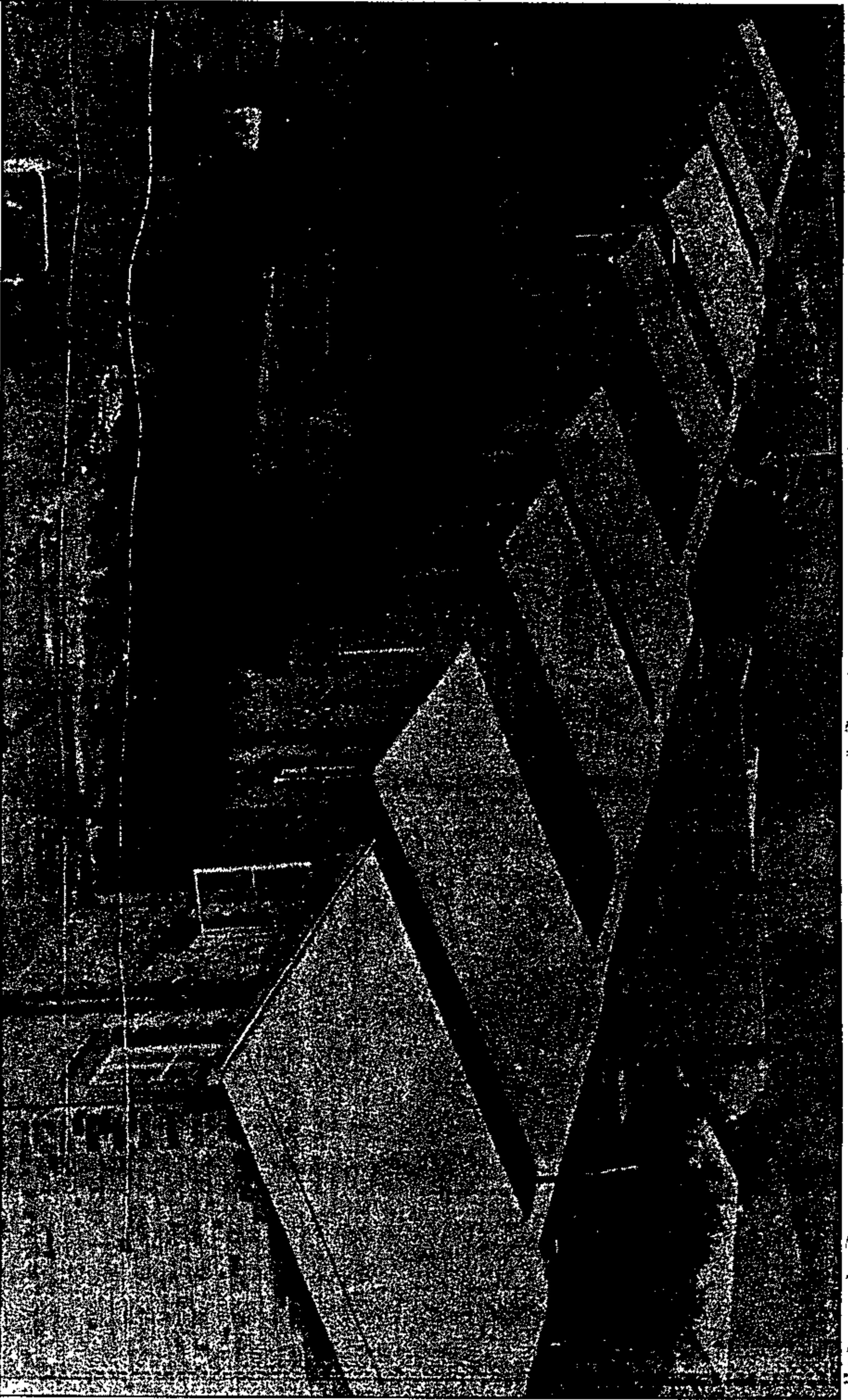
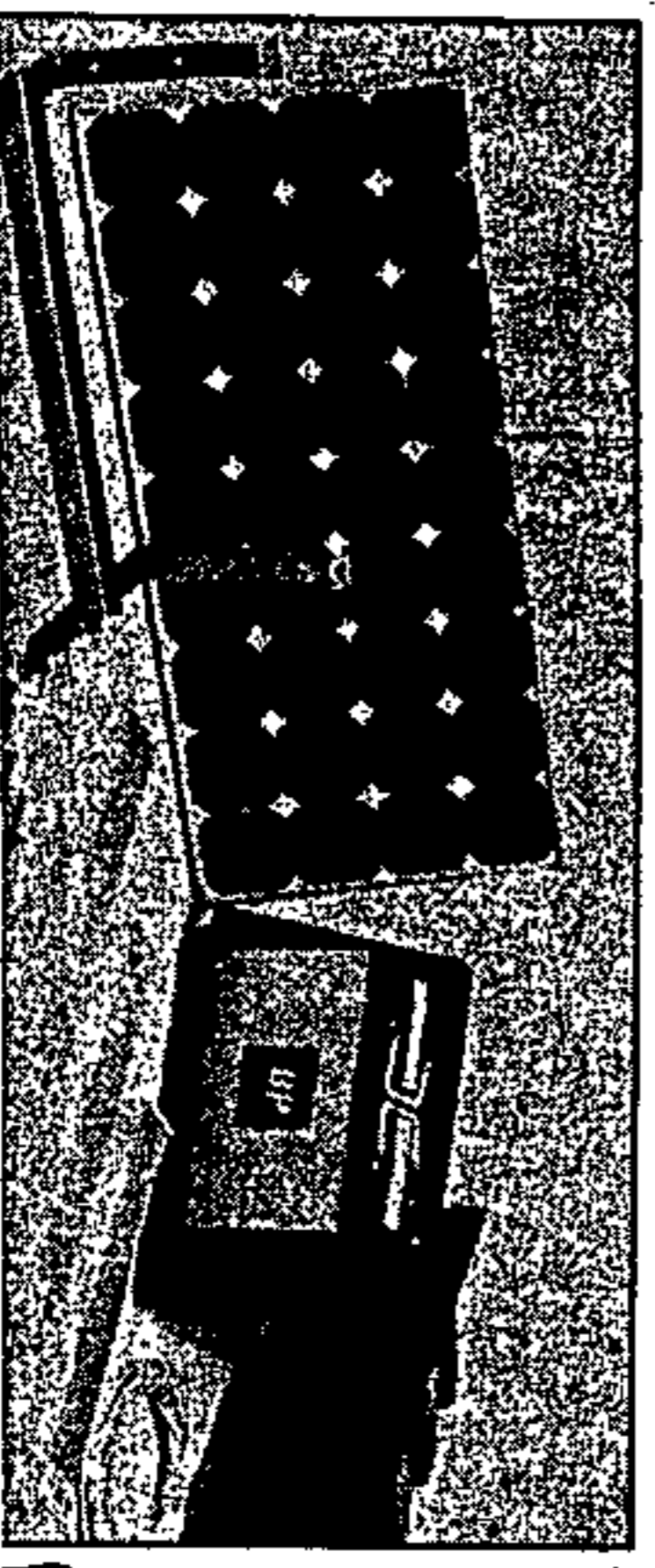
The scheme has proved a resounding success. A survey was done after the installation. It has brought stability to the community in general with a great sense of pride to the householders.

A major constraint to employers in the past has been the initial capital outlay. Now, a prominent South African bank has introduced an employer backed loan scheme to finance the BP Telsite system. It requires no initial deposit, and allows for a five-year repayment period with interest rates below normal. Companies committed to uplifting living conditions of their staff can take advantage of this scheme.

Over the past 10 years, photovoltaics have emerged as the technology that is rapidly becoming an integral part of rural development.

With its worldwide experience in the industry, BP Solar is poised to provide expertise and leadership in this field. Already a pilot project is programmed for a black township.

Isn't it time we took a leaf out of the Sri Lankan book and stopped talking around the power problem?



SOWETO STYLE ... But at least one company is trying to provide something more exciting and adaptable for prospective homeowners.

AGI R L O O M

NEW STUDIES by the Independent Development Trust show that the Government will need to go on ploughing at least R500 million a year into subsidy schemes to make even a dent in the black housing crisis.

That is the estimate of essential funds needed to maintain the momentum of the black advancement programme launched by the IDT.

Research has revealed that no fewer than a million black families are struggling to survive, with no chance of affording even a simple house plot without subsidisation.

Fresh cash injections will soon become urgent as the first R2 billion runs out. Almost R1.5 billion has already been spent or committed on scores of projects aimed at improvements in many spheres, from housing to education and health

All they want is a roof

Star 30/9/91.

services.

Appeals for more funds are now reaching out to international investors. The first cash injection by foreign investors — a significant breakthrough as the IDT spreads word of its dilemma — may be imminent.

Top United States investment banker J.P. Morgan of New York has confirmed that it will take the lead in seeking a substantial loan for the IDT on the Euro market.

IDT chairman Jan Steyn has plans to visit London, Zurich and Frankfurt in the next few weeks to seek the support of prominent European bankers

and financiers.

Observers have taken note that Mr Steyn has also visited Brussels for talks with top officials of the European Community — no doubt putting out feelers about the chances of more EC funds flowing into socio-economic projects.

The first foray into the international money market will aim to raise at least \$100 million (R260 million), and the total could be higher if there is a good response.

"All the signals look good," says IDT communications director Jolyon Nuttall. "We're very optimistic about the out-

The R2 billion fund used to launch the Independent Development Trust is nearing exhaustion. The hunt has started for more cash, reports MICHAEL CHESTER.

come. We're busting a gut to find new sources of funds to keep the wheels turning. More money must be found."

The Eurodollars have been earmarked primarily for such projects as new rural water systems, new schools and more clinics.

But IDT housing director Ben van der Ross believes that re-

sponsibility for funds to be ploughed into housing subsidies for the poorest layers of black society must be shouldered by the State.

"It would be a total disaster if the Government failed to follow through with pledges of more State funds in the 1992 Budget," he says. "It's going to need repeated injections of at

least R500 million a year to meet demand."

The phenomenal dimensions of demand has emerged as the IDT presses the buttons to launch its R750 million scheme to provide homeless families with at least the basic requirement of serviced house sites which they can claim as their own, and on which to build when cash becomes available.

Even seasoned experts have been alarmed by the evidence that has emerged of the scale of poverty.

IDT executives have worked out a basic profile for each homeless family able to qualify

for a R7 500 capital subsidy to cover the cost of a small house stand on which they can construct shelter of some sort, and improve on it as and when they can afford to do so.

It is a profile of utter poverty: trying to maintain a family — an average of seven — on a total household income of less than R250 a week.

The IDT was overjoyed to find that the R750 million scheme promised house sites for no less than 100 000 families — meaning about 700 000 people, on the basis of the average size of black households. The sting has come with dis-

coveries about precisely how many more families fit the profile of impoverishment. Applications have already soared above 640 000 — and new estimates put the potential total as high as 1 million.

"That means the first phase of the programme can reach barely 10 percent of all the homeless families that deserve assistance," Mr van der Ross points out.

"Fortunately, even the most cynical taxpayer knows that it's essential to solve the problem, and feels no resentment about seeing the Government reaching into the State coffers for such an exercise.

"Home ownership is critical to any strategy aimed at breaking the cycle of poverty and giving hope to the poorest and most desperate layers of society at family and community level." □

Bond boycotts raised in talks with finance houses

B/pan 11/10/91

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THEO RAWANA

IN A move designed to resolve the bond crisis gripping black housing in SA, Transvaal civic associations and the Mortgage Lenders' Association agreed yesterday to form a working committee to address the issue.

Township housing seemed to be headed for chaos recently when the Civics Association of Southern Transvaal (Cast) said because residents were finding it difficult to repay bonds and were getting no co-operation from financial institutions, they might resort to action which could include a bond boycott.

Banks and building societies had expressed fears that such actions could force them to refrain from granting loans in the townships and look for other, safer markets.

Representatives of major financial institutions held a six-hour meeting

with Transvaal civic leaders in Johannesburg yesterday to discuss the housing finance issue and a joint statement seemed to indicate that a confrontation had been averted.

Among the financial institutions represented were the Perm, United and Allied.

Issues discussed, the statement said, ranged from access to, and affordability of, housing and finance; the process of foreclosure; the impact of VAT on housing; and the bond rate.

In a memorandum submitted to yesterday's meeting, Cast president Moses Mayekiso said tension was caused by banks' and building societies' haste in foreclosing when people could not pay.

He said people were ignorant of the

intricacies relating to the granting of bonds and bond repayments, and the policies of different finance houses. There was no information mechanism to help them.

Dennis Creighton, the Perm's GM and chairman of the technical committee of the association, said in his presentation that housing must be seen in the context of the balanced development of communities.

On bond boycotts, he said: "There is nothing more damaging to the confidence of financial institutions with respect to investing in housing than talk and rumours of bond boycotts."

The statement said the working committee would consider specific proposals and address matters of common concern.

"This committee will make recommendations which will be referred back to its constituent members."



Closing Koeberg 'never on cards'

ET 2/10/91

Municipal Reporter

SOURCES within the Western Cape Regional Services Council said yesterday that its study group had never suggested that Koeberg nuclear power station should be closed down to enable huge new suburbs to be built north of Cape Town.

The possible eventual closure of the installation — which was featured in a front-page article in another Cape Town morning newspaper on Saturday — was merely one of four or more options mentioned in a report on establishing more housing north of Cape Town.

The option of closure had been considered and rejected in the original report, which was still a confidential document, the source said.

PROPERTY

Scheme to insure building of homes

B/Daw 2/10/91
THE SA home owners' warranty scheme, an indemnity scheme warranty which insures against building loss or damage to structural defects, inherent defects due to poor workmanship, defective material, unstable soil conditions and design defects, was launched last night.

For a 1,5% premium on the construction contract fee, subject to a minimum premium of R1 500, the warranty and insurance backup will apply for five years from the completion of construction, SA Home Owners Warranty Scheme director Basie Pretorius said.

"The warranty is backed by an independent insurance company and may be bought by the owner of the property, that is the developer, or the bond holder, that is the financial institution providing the finance, or by the builder if he is a member of the various Master Builders Associations (MBA) and Building Industry Associations (BIA)," Pretorius said.

If the property is protected under the warranty scheme, insurers will make good any loss in accordance with the rules of the scheme. An annual escalation of 15% in the sum insured, compounded over the five years, is built into the premium.

"We believe that with the establishment of the scheme, all fears will be something of the past and more people will have their homes built and will not wait for somebody else to build a house and check it for

structural defects before they buy," Pretorius said.

The warranty scheme is the result of studies of overseas schemes and is designed to protect the home owner, property developer or financial institution. In addition, the scheme will improve building standards in SA and will create faith and confidence in the industry.

The warranty scheme would also see the market value of a property built under this scheme rise by about 6%.

Eligibility for the scheme has been restricted to members of the various MBAs and BIAs to keep costs down.

The cover was restricted to contractors who were members of these bodies to eliminate the need for an expensive and complex system of monitoring workmanship and standards.

MBA and BIA membership was granted only to contractors who complied with strict criteria and who had been screened before admission, which reduced the need for introducing a strict monitoring system and inspection service, Pretorius said.

So as to give the scheme credibility and independence, the building industry registered a Section 21 company — a company that is not for gain. This would then oversee the scheme's function in accordance with the law, he said.

Reports by
PETER GALLI

Black borrowers seen as bad risks

B/Day 2/10/91

123

BOND boycotts, lack of financial understanding and disrespect for the law among sectors of the black community were hampering the ability of financial institutions to lend to the black market.

This was said by Amalgamated Banks of SA (Absa) CE Piet Badenhorst at a retail financial services conference in Johannesburg yesterday organised by the London-based Lafferty Conferences group.

Badenhorst said he was referring to people in certain black areas refusing to pay their bonds while the communities refused to allow the eviction of the defaulters.

"This would not happen in any normal society elsewhere in the world," said Badenhorst.

If a house was vacated, the property was often vandalised, resulting in "substantial losses" to the lending organisation. Valuers and sheriffs of the court were sometimes refused access.

"The financial services industry is being severely criticised for not lending in a major way in black areas, but how can the industry be expected to lend when the normal processes of law cannot be enforced?"

Badenhorst also spoke of a lack of understanding about financial products like mortgages and how monthly payments changed with prevailing interest rates.

ROBERT GENTLE

The sooner people were educated financially, he said, the sooner there would be an end to misunderstandings and recriminations, not only in bond repayments but also over services such as electricity and water.

Banks also had to deal with the risk involved in black ventures — even when these were hugely successful. The black taxi industry had caused banks losses of "millions of rands", Badenhorst said.

Taxis were not paid for and efforts to find the vehicles were expensive. When found, the taxis were badly damaged, cannibalised or in a state of disrepair.

"The results of these actions have made bankers reluctant to finance taxis and the industry is therefore not growing at the rate it should," said Badenhorst.

Another speaker at the conference, Nedperm Bank divisional director Peter Hibbit, said there was very little, if any, respect for authority and the institutions of society.

He called for the establishment of a national body consisting of representatives from the public sector, financial institutions, developers and community to encourage attitudinal changes and to initiate policies for housing development and finance suited to SA needs.

Black borrowers seen as bad risks

B/Daw 2/10/91

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Closing Koeberg (48) 'never on cards' (123)

ET 2/10/91
Municipal Reporter

SOURCES within the Western Cape Regional Services Council said yesterday that its study group had never suggested that Koeberg nuclear power station should be closed down to enable huge new suburbs to be built north of Cape Town.

The possible eventual closure of the installation — which was featured in a front-page article in another Cape Town morning newspaper on Saturday — was merely one of four or more options mentioned in a report on establishing more housing north of Cape Town.

The option of closure had been considered and rejected in the original report, which was still a confidential document, the source said.

MBA offers new home warranty

By Frank Jeans

3/10/91

A major breakthrough in the protection of the new home buyer comes with the launch of the Home Owners Warranty Scheme.

The scheme, which will cover owners of newly-built homes against loss or damage due to structural defect, unstable soil conditions as well as materials and design defect, has been launched by the Master Builders Association (MBA).

Once a property is protected under the scheme, the insurers will make good any loss ac-

ording to its rules.

The cost of a warranty is 1,5 percent of the contract sum, subject to a minimum premium of R1 500 and is payable immediately on completion of the development.

A R100 000 property, for example, would require a once-only R1 500 premium to obtain full cover for five years.

An administration fee of R150 per dwelling or housing unit must be paid to BCE Underwriting Managers before construction begins.

The warranty plus the insur-

ance back-up will be for five years calculated from the completion of the building of the home.

At the inaugural function in Johannesburg yesterday, Basie Pretorius, executive director of the MBA (Witwatersrand and Transvaal South), said: "A main reason for the introduction of the HOWS is to protect the home owner, property developer and lending institution."

"We believe fears about bad workmanship and structural defect will now be something of the past."

Call for a new policy on housing

Sowetan 3/10/91

123 309

A CALL has been made for a body to initiate national policies for housing development and finance.

It was made by Mr Peter Hibbit, divisional director of Nedperm Management Services, in an address to the first International Retail Financial Services conference in Johannesburg this week.

Speaking on risks and opportunities in housing finance markets, Hibbit pointed to the way in which his company had been able to work with people in the community to develop a holistic housing policy which met residents' needs in a development near Benoni.

"This project was seen as a partnership between the community, the public and the private sectors, and was not seen simply as a housing development but rather as a development of a community."

"This process of identifying the community's needs

By JOSHUA RABOROKO

and incorporating them into the total development plan has not been part of traditional housing development, but in the emerging market it is essential," Hibbit said.

While it was a radical departure from the past, it was essential if financial institutions were to "profitably address the housing crisis".

Change

Attitudes of homeowners also had to change in the emerging new South Africa.

"At present there is very little, if any respect for authority and the institutions of society. The social fabric of many of our communities has been so damaged that anarchy reigns.

Black housing help hampered

FINANCIAL institutions would not be able to make contributions to solving black housing shortages until the political situation stabilised, ABSA chief executive Mr Piet Badenhorst said this week.

Certain black homeowners were not making repayments on mortgage bonds because they had difficulty in meeting the higher costs, but there were many who were simply unwilling to do so.

"The normal processes of the law do not operate within certain, unfortunately black, areas," Badenhorst told the three-

day retail financial services conference in Johannesburg.

"People refuse to pay their bonds and communities refuse to allow us to evict those borrowers: This would not happen in any normal society elsewhere in the world."

Vacated houses were mostly vandalised, which resulted in substantial losses to organisations that financed the property.

"There are areas where the sheriff of the court cannot enter to carry out the normal process of the law," he said.

3/10/91
Sawyer

123

Housing should have priority over fiscal policy

By Frank Jeans (123)

As housing is the No 1 priority for South Africa — the nub of so many social issues — all other policies, fiscal and otherwise should be subordinate to this key sector.

This is the view of Tony Leon, MP for Houghton, who spoke at a debate in Sandton yesterday on VAT and its implications for the housing industry organised by Gavin Hardy, executive director of the housing division of Murray & Roberts Construction.

While recognising VAT as a better tax collection system, Mr

Leon said it was modelled on that of New Zealand's with its comparatively low rate.

"Unfortunately, with all her volatile circumstances, South Africa is not New Zealand and the lessons of this country were not taken into account in applying the new tax," he said.

The Houghton MP has no doubt that if housing had been zero rated in the tax system, there would still be "just as much antagonism towards it".

Referring to the adverse effect the new tax will have on low-income households, Noel Ayers, financial director of M & R Hous-

ing, said a R43 a month addition to the average R800-a-month collective earnings of the estimated 7 million shack dwellers in the country might not seem much in white living terms but it was a major problem for blacks.

"Transport, food and housing should all be zero-rated," said Mr Ayers.

Conceding that there would be certain problems in the transitional phase of VAT, Len Geyser, of the Receiver of Revenue, pointed out that the building industry had enjoyed unfair advantage over other industries under the GST system.

Only a portion of the building industry's costs, ie materials were subject to GST, whereas other industries paid that tax on a larger portion of cost.

On the question of all costs the builders were now on a par with other industries.

Commenting on the confusion surrounding the VAT system, Mr Hardy said developers were now "throwing their hands up in despair" and might unwittingly take the easy way out by charging full VAT to avoid all the complications.

"This, in turn, would inevitably be costly to the consumer," said Mr Hardy.

BOND BOYCOTTS

Casting the die

FM 4/10/91

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If this week's scheduled meeting between borrowers and lenders in the black housing market managed to forge some greater understanding between the sides, it probably went as far as possible towards defusing the bond boycott issue.

As former Perm CE Bob Tucker puts it, the two groups have potential atomic bombs pointing at one another — with little to achieve by firing them.

Ranged against the institutions are many black home-owners represented by the Civic Associations of the Southern Transvaal (Cast). They face economic recession, high unemployment, high inflation and interest rates which have stayed higher than anyone expected. At this moment, they feel VAT is an aggravated impost — and all commitments, including mortgage payments, are becoming difficult to meet. Their weapon is a boycott of the repayment of mortgages — if relief measures cannot be found.

Tucker says: "Lined against them are the institutions which, because high interest rates push up the cost of delays in foreclosures, are actually getting tougher about attaching property. So they're not giving any leeway. The institutions' ace is that they can withdraw from the market."

Of course, in today's economic climate, there is little more that the lending institutions can do to ease mortgage hardships. But that doesn't mean that their performance in this market is beyond reproach and can't be improved.

There is even a suggestion that the traditional mortgage bond may be inappropriate for funding home ownership in the black market. An instrument which includes unemployment insurance and product defect insurance (dealing with structural problems which arise after the property is transferred) might be more appropriate. Correctly structured, it could go a long way towards protecting those who've bought homes, and preventing others, who can't afford them, being sucked into excessive bond commitments by unscrupulous property salesmen.

Equally, Cast, which has mobilised blacks on local issues as never before, would probably achieve much more for those whose interests it represents by working with the institutions rather than resorting to confrontation.

Certainly, since the bond boycott issue was first raised Cast seems to have adopted a much more conciliatory line on the issue of housing finance. It stresses that it never actually called for a boycott but simply raised the possibility as a last resort to press institutions to lighten the home ownership load for low-income groups (*Property* September 13). However, that was sufficient to

send shivers down the spines of the already jittery institutions.

It could be that the boycott suggestion was an attention-grabber — if so, it was eminently successful. Now all concerned should capitalise on the focused attention to find appropriate solutions.

Before this week's meeting it was perhaps difficult to establish just what measures Cast hoped the institutions could take to alleviate hardships.

Nevertheless, the civics' agenda was quite explicit. Accepting the complexity of the problem, Cast stressed the need for institutions to provide:

- Finance which will meet the needs and nature of the communities;
- Education on mortgage finance to all customers;
- Explanations of all hidden costs such as interest; and
- Careful monitoring of defects in buildings and the reputations of builders and private developers.

Furthermore, the civics requested a joint probe into why people cannot, or have not, met their bond commitments and to find ways of dealing with the issue.

Cast's Sam Ntuli — killed by an assassin's bullet last weekend — expressed his optimism on the eve of the meeting. He believed the establishment of a joint monitoring committee would help to identify and alleviate problems at an early stage.

"I think we could also explore some of the systems used internationally to lighten the bond burden to see whether they'd work in SA," he said.

But is there room for the institutions to lower interest rates — and if so are the banks

and building societies willing to do anything about it?

One option identified by Tucker is that of mortgage capping which, though introduced a couple of years ago by government, has never been extensively used. It offered to defer and subsidise bonds which rose above a certain interest rate; the buyer would then reimburse the State when rates fell again.

Another important element is, just how motivated are the banks to stay involved in black housing? At the height of the bond war, for example, banks frequently offered to pay legal costs of those executives' bonds poached from competitors. They wanted the prize of corporate business spinoffs. If the black market becomes attractive they will compete just as fiercely for that market.

Product pricing is based on return on assets — capital requirements and liquid assets are the driving forces. Mortgage lending has a relatively low capital coefficient and is therefore attractive as a lending instrument.

But even if the institutions considered mortgages on a lowest loan-to-value ratio they'd still have to consider the security of the investment and issues such as the poor secondary market; difficulty in collecting money; the collapse of black local authority structures which has permeated down to the management of utilities; the difficulty in repossessing properties; and the breakdown of the rule of law.

On this basis, the banks and building societies have become increasingly reluctant to lend into this market. What is the solution?

Apart from a compromise between Cast and the institutions there is a need for some innovative thinking by institutions — perhaps along the lines of the Independent De-

Continue →

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velopment Trust Finance Corp's approach to the informal housing market. It makes unsecured loans to people right down at the bottom of the home market but at maximum rates allowed under the Usury Act (28%). Its current book is about R7m in Cape Town spread over 2 700 borrowers built up over three years. The key to its success is an emphasis on educating borrowers on the intricacies of interest rates.

Another option may involve moving away from conventional mortgages and looking at ways of identifying and training borrowers. An agency would then make the loan on behalf of the institution, attend to collections and, if necessary, in the event of foreclosure or arrears, property management. ■

HOUSING (123) ~~229~~

Breaking new ground

F M 4/10/91

The Independent Development Trust (IDT) has broken new ground in the relationship between developers and communities. The R750m capital subsidy scheme gives low-income families access to serviced sites and basic shelter.

Consultation and agreement are key words in the planning and allocation of nearly 100 000 serviced sites, says IDT housing director Ben van der Ross. The sites will pass to new owners over the next few months.

Contracts for the first batch of sites were signed in Cape Town last week. A subsidy of R7 500 a site will be paid by the IDT on

transfer. The scheme is available to heads of households over 21 years old, who have dependants living with them and an income of less than R1 000 a month.

The signing marked the culmination of a massive selection process. When applications closed at the end of May, 404 proposals had been received.

Development consultants Colin Appleton (formerly of the Urban Foundation) and Ian Palmer (ex-Development Bank of Southern Africa) then channelled the applications to teams of consultants in nine regions where sites had been allocated. Within four weeks, the regional consultants had investigated the applications and, in many cases, made recommendations.

In July, IDT trustees approved in principle 108 applications involving just on 100 000 sites. The developers included local authorities (37%), community trusts (34%), utility companies (20%) and private companies (9%). Between 600 000 and 700 000 people are expected to live in the houses which will be built on the 100 000 sites.

Funds are allocated by region after assessing current population and projected growth. According to Van der Ross, 66% of the applications are linked to city environments and 34% to smaller towns. The majority — 65% — are new site-and-service projects, the rest are proposals to upgrade existing informal settlements.

The biggest allocation of stands is in the PWV area (32 700) followed by the eastern Cape (13 000), western Cape (9 000), OFS (7 300), eastern Transvaal (5 200), Natal-KwaZulu (5 000), western Transvaal (4 000) and northern Cape (1 200).

In deciding the final awarding of contracts, special attention is given to the degree of community participation in decisions related to the proposed development, says Van der Ross. The socio-economic viability of a project — including transport facilities, job opportunities and prospects for upgrading — are also important.

If the cost of sites is below R7 500, the new owners can decide either to use the balance to start building houses or allocate it to the building of community facilities such as crèches or clinics.

Van der Ross says while the IDT's scheme represents a substantial effort to tackle the housing problem, the 100 000 sites it will provide comprise only about 10% of the overall need and it is essential that the State follows up the IDT's actions.

The IDT scheme is not intended to relieve government of its responsibility to provide subsidies for housing. It, nevertheless, acknowledges the scarcity of State funds and believes it is essential to show SA's poorest people — quickly — that tangible changes for the better are taking place.

Earlier this year, IDT chairman Jan Steyn said that while the subsidy scheme could never hope to meet the massive backlogs in housing, it was a start that would give at least 100 000 households the prospect of upward mobility. ■

Black housings Summit needed

Skor 9/10/91

THE IMMINENT release of the findings of a special commission assigned to probe the black housing crisis has raised the possibility of a round-table summit aimed at a radical rethink about solutions.

Pressure for a summit is expected to be triggered by a whole new package of proposals compiled by the commission, which intends to spell out how to reshape the national housing policy.

Former Director-General of Finance and Auditor-General, Loop de Loor, hand-picked to head the commission because of his no-nonsense attitudes, says the full report should be completed and handed over to the Cabinet in the next few weeks.

Added urgency has been given for Cabinet action by recent biting criticism from the World Bank about the lack of cohesion in Government policies on housing.

Details of the commission's recommendations remain a close secret, but there are forecasts that the playback will cause a fresh tidal wave of concern about the urgency for a full-scale master-plan for new initiatives.

The eagerly awaited De Loor Commission proposals on national housing policy are expected to be handed to the Cabinet within a few weeks. They are likely to lead to a summit to bring all sides together for a rethink on the crisis, reports **MICHAEL CHESTER.**



A growing number of them believe the most reasonable solution may be a round-table conference to bury the hatchets and set course on brand new strategies that could coordinate all potential resources.

One of the top favourites mentioned as an ideal neutral to act as arbitrator is the Development Bank of Southern Africa.

"It's an obvious first choice," says one observer. "The DBSA

stands outside the political arena and has the ear of everyone across the whole spectrum.

"Moreover, it has the resources to map out the entire short and longer-term economic scenario to ascertain the balancing order of priorities.

"Who else is better placed to be the conduit for all the funds needed to tackle the housing crisis — whether from here at home, from the public and private sectors, or from overseas investors who would be a lot

There are dozens of other players, too. The missing element, according to insiders, is agreement on how to tackle the issue.

One instance of discord is about the precise shape of the R750 million subsidy scheme launched by the IDT to provide at least a serviced house site fitted out with basic services for low-income black families on local household incomes below R1 000 a month.

The IDT vigorously defends its scheme on the basis that it gives no fewer than 100 000 impoverished families the chance to own their own land — with the opportunity to build a dwelling on it, whether a shack or a conventional home — when finances allow. Each plot will carry a subsidy of R7 500.

The IDT is well aware that R750 million would cover only about 10 percent of all the families who qualify for consideration. But it argues that it's a realistic start.

On the other hand, Johan de Ridder, general manager of the

development division of the SAHT, argues that the IDT is on the wrong track by channeling the subsidies through site development companies and fastening the subsidies to specific schemes.

He sides with arguments forwarded by the World Bank that subsidies should be handed directly to each homeless family that qualifies — to be spent on some form of shelter of their own choice.

"We believe there should be more freedom of choice about where a family wants to settle — depending on where the breadwinner can find a job, selecting the location, deciding about what next-door neighbours he wants to live with, and the sort of shelter it can afford.

"That also worries us," says Mr de Ridder, "is the obvious risk of rows and bothers between one family that proves the cut-off level of R1 000 a month and the next family that falls to qualify because its combined income is R1 001."

Executives at the IDT count-

er with a vigorous defence of their scheme.

They insist they have done their homework with community leaders and are convinced of the merits of their scheme.

IDT communications director Jolyn Nuttall and housing director Tom van der Ross say they have considered the option of handing subsidies to homeless families for them to spend as they like. And they have rejected it as totally unsuitable to circumstances in South Africa.

They stick with their own approach as the most viable — so long as the programme is pursued, which may need another R500 million a year from State funds.

"An urgent rethink is needed," says SAHT managing director Willie Conradie.

"Housing development by the private sector is grinding to a halt as home builders withdraw from the market to escape problems with waves of unrest and the risk of bond boycotts and similar snags caused by the lack of planning to provide

'It won't last' agency still going strong

THE Alternative Agency, which takes a 3% commission on the sale of property, is alive and doing well after two years, despite industry predictions that "it won't last three months", say partners Barry Cribb and Pauline Black. 9/10/91

The agency caused a stir when it cut commissions on sales to 3% — half the usual rate — thus offering sellers a potentially better price for their property, though for reduced services.

The agency does not take the prospective buyer to see the home for sale. It compiles and produces a brochure giving details of the properties on its books, and financial aspects. This is given to clients.

It puts interested parties in touch with the seller, and the prospective buyer is shown around the property by the owner. The same applies to show-days, when owners remain at home to meet the home-hunters.

The agency deals with all paperwork and advertising, and also the bond application.

"We really struggled at the start," says Cribb, "but we believed our policy could succeed, and we are holding our own."

Now the agency has decided to sell franchises. It has already sold one and is negotiating others in Cape Town and Durban.

"On average we sell between 10 and 17 houses a month. We focus on the northern suburbs — Jukskei Park, Johannesburg North, Sandton and as far as Weltevreden Park," Black says. "But we will take on homes in other areas."

By not sitting in on show-days and taking people to the houses, the agency is able to handle more houses, Black says.

COMPANIES

State urged to play housing role

HOUSING in a developing country was of strategic and national interest and the involvement of the state in the supply of housing could not be avoided, Bester Investments executive chairman Theunis Bester said in the company's annual report.

He said this applied specifically to the new SA, where housing had become a highly emotive issue. He predicted that the state would have to get involved to a greater extent.

The current substantial

WILLIAM GILFILLAN

backlog in the supply of housing to the middle- and lower-income groups was growing rapidly because of influx to metropolitan areas and natural population growth.

But houses were not being built to meet this need because of the current unfavourable economic, social and political conditions. *Blaw 11/10/91*

Bester lamented that, as a result, the construction industry was in a position

where it had surplus capacities and was battling to survive because of lack of work in the midst of a housing need of crisis proportions. (123) ~~(123)~~

Despite retrenchments being a last resort, the substantial staff reductions of the past year would continue to take place, he said.

The group posted losses of R10,7m for the year to February. Losses in the previous year were R1,3m. Bester said that further losses could be expected for the current year.

Wessels finds 'nimbys'

in NP

Star 13 | 10 | 91

David Breier

NEW Minister of Housing Leon Wessels recently declared war on the "nimbys" of South Africa. Now he has tracked several of them down — in his own National Party.

"Nimby" is an abbreviation for "not in my back yard" and refers to well-housed people who are all for providing land for the homeless — provided it's nowhere near them.

Mr Wessels recently became Minister of Planning, Provincial Affairs and Housing, and is probably the most reformist member of President F W de Klerk's Cabinet — he was the first to apologise for apartheid.

One of his first acts after becoming Minister was to announce a "battle royal" against those in ivory towers who would not understand the plight of the poor. This week Mr Wessels had his battle — at the Nat Cape congress in what is supposedly the most enlightened province.

At the first open Cape NP congress since the party became non-racial last year, Mr Wessels was assailed by both old white Nats and new brown Nats on the prickly squatting issue.

Frikkie Botha of King William's Town bemoaned the fate of Gonubie which had been "a paradise until squatting".

Daan Landman of Humansdorp said it was a myth that squatters were looking for work. He said the ANC was making politics out of the squatters in the former Fingoland.

Power cut

Cecil Herandien, "new Nat" MP for Macassar, asked why squatters could not keep to Khayelitsha. President's Council member and new Nat Peter Marais said "my people" had their water and electricity cut off if they did not pay, while others had millions of debt written off.

One delegate said, tongue in cheek, that the way to get rid of squatters was to invite the Queen (presumably referring to the bulldozing of squatter shacks in Harare in anticipation of the royal visit).

Mr Wessels told the congress he could try to be popular and "kragdadig", but he said: "This country belongs to all — including the squatters."

"No political party would be able to govern if it does not take into account the shelter needs of the poor and homeless."

Nothing would stop hungry people. "We must prepare ourselves for squatting," he said, adding the Government was looking urgently at a housing strategy to unveil to the next session of Parliament.

Homings in ON SUCCESS

S/T Wms 12/10/91 (CM)

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The formation of the Realty 1 Property Group took property and banking circles by surprise. The outlook is rosy. Already agents are reaping benefits

IN A property context, the battle in the home loans industry, culminating in the 1986 amendments to the banks/building societies Act, led to a bond war. The ensuing alliances between estate agents and finance houses became a competitive strategy which demanded decisive counter attack.

In the midst of the tumult, the Perm, second-largest of the original building societies, proved the maverick. Initially, it refused to go public. Today, however, it is merged with Nedbank, is a division of Nedperm and, as such, part of the Nedcor Group.

From the capital base provided by Nedcor, it has made an impressive comeback in the industry. Happily, it has also retained much of its identity and its traditional emotional appeal to the man in the street, both in savings and in the furnishing of home loans.

Success

In November last year it caused another major stir when, with affiliate institutions, the Perm founded the Realty 1 Property Group, with a coalition of carefully selected market leaders in the real estate industry.

These comprise Durr, Elks, Pearson's, Pearson's and the A-Group and their respective franchisees. They reflect the Perm's intention to closely associate with a single market leader in each of the provinces of SA.

The input of the agents is vital to the success of the project. They are the engines which power Realty 1. Strange as it may seem, experience within the industry has demonstrated that homeowners show little loyalty to their mortgage-bond holders. On repurchasing a home, as often as not, most buyers will leave it to the agent to organise and arrange the new bond.

Gian Sdoya, 38, who holds an MBA from Wits Graduate School of Business, is assistant general manager of the Perm's estate agency division, and MD of Realty 1. He largely initiated and implemented the project and expressed enthusiasm and satisfaction in "seeing a plan come together."

He described in a recent Realty 1 conference, held at the Wilderness, the relationship between the Perm and the agents as a marriage, "which like any marriage demands a two-way input and output to achieve a mutual advantage. "We, the Perm, see this advantage in the increased bond business we expect to get by helping the property companies in the group expand and streamline their activities."

Benefits

For the agents there are many added-value benefits — both professional and personal. These range from

New lines of influence: The structure of the Realty 1 Property Group

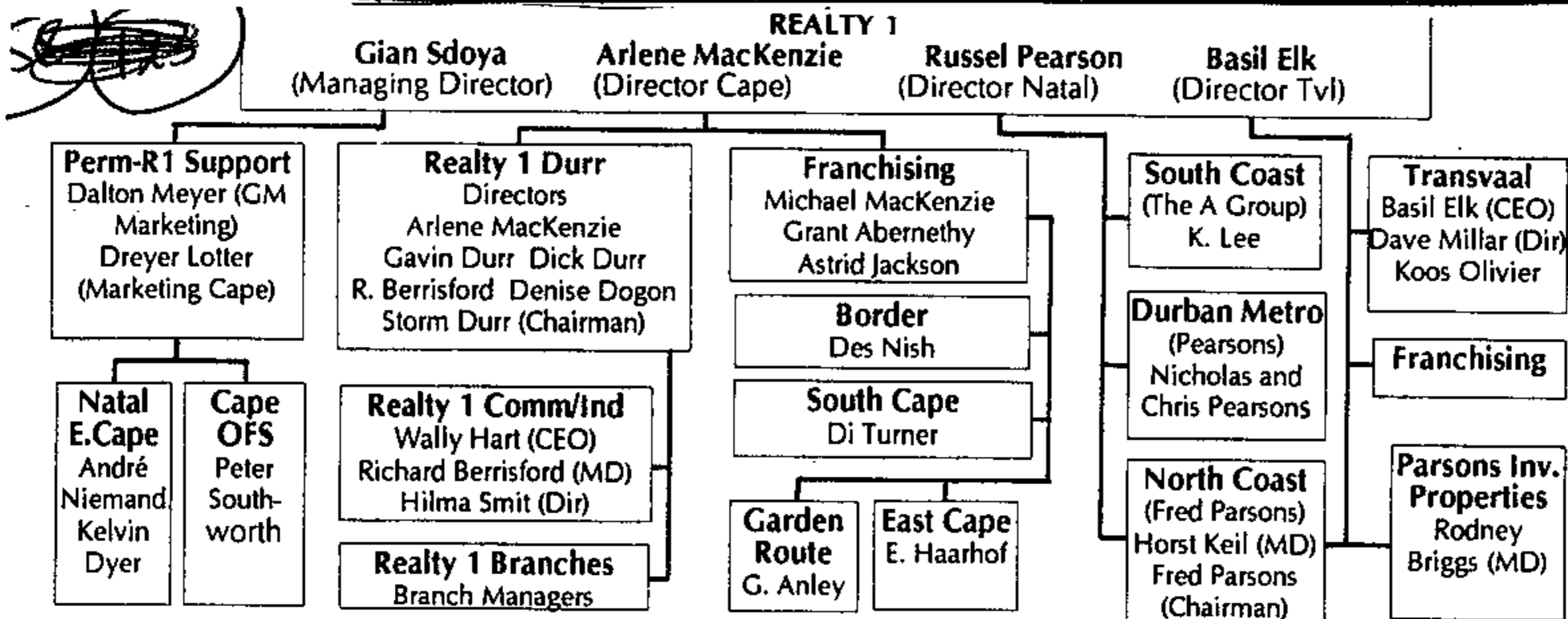
a national Realty 1 corporate advertising campaign, nationally negotiated and favourably advertised rates, market research to create a national database, the creation of a single corporate identity and management support and advice. Personal benefits include cost-free savings accounts, free Perm evaluations on agents' homes and the Perm to pay bond-free registration fees on an agent's home. Sdoya says it is still too early to talk about profitability. "We have not even reached our first year-end." But he believes the progress made within Realty 1 Group has been impressive — and is being seen as such by the media, in one-to-one talks with agents as well as with agents under the Realty banner.

Arlene MacKenzie, MD of Realty 1 Durr Estates and director for the Cape region, says agents in the field are already reaping benefits from the move. Still to be felt is the impact of opportunities through the expanded referral network.

Though the linked association between real estate and financial institutions follows a trend towards mega groupings, it doesn't rule out the role of independent agents, Sdoya declares. "Success doesn't depend solely on size. Association with a large institution provides a larger capital base, sophisticated hi-tech networking, greater business clout. But whatever its size, the fortunes of a company depend on sound management decisions and business expertise." Nor does the fact that the Perm has equity in several reasonably large real estate groups mean that it neglects the independent real estate agents. Sdoya says, "On the contrary, we very much need to do business with them."



Storm Durr, Chairman of Durr Estates since 1971



THE BIG FIVE

THE spread of the business of the coalition estate agency companies making up the estate agency arm of Realty 1 covers the four provinces in South Africa.

Realty 1 Durr Estates, works in Cape town and the coastal regions up to East London.

Realty 1 Basil Elk in the Transvaal and Johannesburg has representation, too, in Natal and three franchises in

the Orange Free State.

In Natal Pearson's Property Group covers the Durban Metropolitan area. A-Group is the market leader along the South Coast and Fred Parson's markets the Natal North Coast.

The total number of agencies and franchises in the

Realty 1 Property Group is 110.

The Mission Statement highlights the group's high business ethics, professional skills and service excellence.

It reads, "The Realty Group comprises a team of skilled, service-orientated real estate

professionals, who offer a spectrum of innovative specialist services to our clients to facilitate the efficient, ethical exchange and transfer of residential, commercial, industrial and agricultural property in Southern Africa for the benefit of all parties."

These principles demand a high level of professional integrity from the signatories. With such a lodestone, surely there can be no other way to go but up.

ADVERTISING FEATURE

LOAN RANGERS

S/Tine 13/10/91
 INTENSE competition raged in the home loans industry during the eighties. Dating from 1983 when an informal banking cartel was dissolved, banks became increasingly combative — and not only against one another. They also entered the traditional building society markets, granting mortgage bonds for residential properties.

At the same time, building societies began lobbying for deregulation, which, banks realised, would erode their traditional markets. With changes in legislation relating to banks and building societies in 1985 and 1986, banks accelerated their lending in the home loan market in a big way.

They held the competitive edge. Banks were free to take advantage of cheap funds in the money market at a time of high liquidity.

Building societies, however, were obliged to raise most of their funding long term which meant, at that time, at higher rates.

The war raged through

1987. By 1988 monetary policy was tightening, interest rates were rising and concern over capital adequacy was emerging.

The regulatory authorities were determined to bring banking into line with the international capital adequacy standards. These have now been imposed under the Deposit-Taking Institutions Act, introduced in February this year.

(123)
 The new Act brought building societies within its ambit, so now all deposit-taking institutions are subject to the same capital constraints — and banks and building societies operate on a more equal footing.

The home loans market remains an important one, as the capital requirement against this type of loan is lower than the requirement against traditional banking loans. Further, it is a useful springboard from which to sell other financial products, like current accounts, savings accounts and other personal financial services.

Housing subsidy plan vital

By MAGGIE ROWLEY

Property Editor

THE government would have to act quickly in devising a national standard subsidy scheme for low income housing, says Dr Joop de Loo, former auditor general and head of a national task force to develop a national housing policy and strategy.

In an interview yesterday, De Loo — who is also chairman of the commission of inquiry to evaluate the need for rationalisation among government departments and agencies involved in development — said the housing task group would present its recommendations within three months.

"We are making top speed progress and are now in the final stages."

Recommendations would include short, medium and long-term goals.

"The Independent Development Trust's R750m capital subsidy fund for low income shelter housing will be depleted by the end of next year so it will be imperative for the government to address at least some of our recommendations in the very near future so as not to create too large a vacuum in this sector," said De Loo.

The task group, he said, was addressing many of the public criticisms of the IDT capital subsidy scheme including those voiced by the chairman of the South African Housing Trust, Dr Simon Brand.

In his annual report, Brand said the

Relief urged for smaller home owners

Property Editor

THE Minister of Finance has been urged to provide immediate relief to smaller home owners in the form of tax abatements to ease the burden of the "crippling" mortgage bond interest rates.

In a letter to Barend du Plessis, Lawrence Seef, chairman of the Seef Property Organisation said a large proportion of SA's lower income homeowners had suffered severe erosion to their income as a direct result of upward pressures on home loan repayment costs.

"The average salary earner now has to pay 20,25% on his home mortgage which means that for every R100 000 worth of mortgage bond he has to pay more than R1 600 a month in interest. On top of this, if he received a subsidy from his employer

finalisation of a national standard subsidy scheme had now become a matter of utmost urgency.

Financial institutions had been reluctant to enter the low-income market in any meaningful way and government funds to support first time homeowners with interest subsidies had been extremely limited.

The SAHT, through its subsidiary Khayalethu Home Loans, as a lender of last resort, had accordingly been compelled by market forces to make

he is now additionally burdened by the Minister's decision to tax these perks.

Seef said he had appealed of the Minister to provide tax relief to borrowers, even if only up to a figure of the interest paid on a loan of R100 000.

Kingsley-Loney, regional manager of the NBS said any relief would be clearly welcomed.

However what was really required to aid lower income housebuyers was a drop in interest rates.

Kingsley said about 60% of the working population did not earn enough to qualify for a bond of more than R25 000 to R35 000.

"What is really required is a drop in the bank rate which will filter through the economy to a drop in the mortgage rate."

long-term finance available to buyers of houses built by the private sector contractors working with them.

Not only had the provision of long-term finance at subsidised interest rates by the company placed increasing pressures on its available financial resources but it had also resulted in a systematic erosion of the initial interest-free capital base of the company which had been earmarked for short- to medium-term development finance.

"Given the financial structure of our company, this approach cannot be sustained indefinitely," he warned.

The continued viability of the SAHT would depend on the nature and extent of government subsidies to individual first time home buyers either by way of capital subsidies on land or interest subsidies.

Clarity in this regard was urgently needed, he said.

The capital subsidy scheme had resulted in a material risk for all developing institutions, both in the public and private sector which had previously invested large amounts of money in serviced land near IDT approved projects.

"To avoid selling these stands at significant losses in the short term, they would have to be retained at high holding costs for an indefinite period until the government entered the market with, hopefully a comparable subsidy scheme.

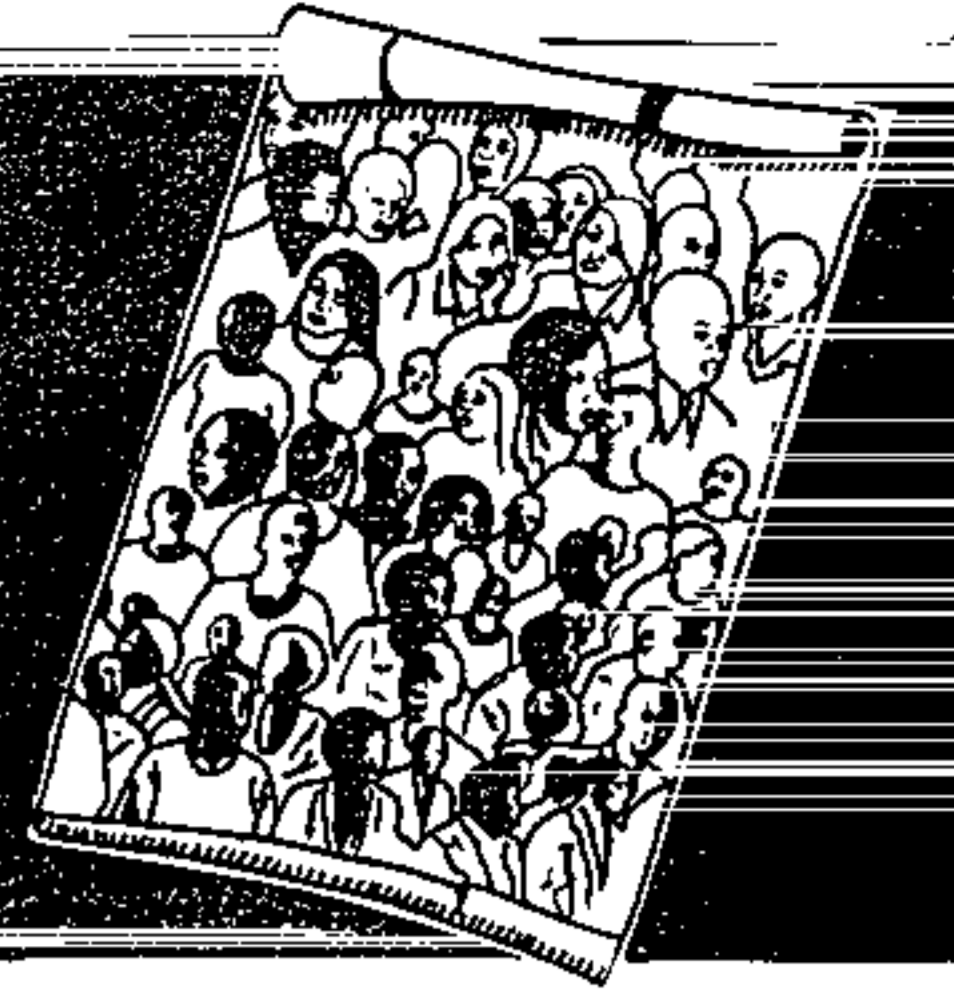
"In addition the probability of squatter settlements on such land cannot be disregarded."

He said not only did this situation result in scarce capital resources having been unproductively utilised, but the opportunity to speed up shelter development had been reduced.

Allocation of the capital subsidy to developers of defined projects had also created islands of privilege which were bound to create confusion and political tension in certain areas.

123
CT 3/10/91

POLICY



HOUSING 1

New Nation (hearing Nation)
25/10 - 31/10/91.

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As you read this article, thousands of working class residents are fighting a determined struggle around housing. In the Transvaal in particular, as many as 50 townships are involved in rent and service charges boycotts. A number of these struggles started after the defiance campaign of 1989. Even then, they were picking up struggles started in the period 1984-1986. In fact, some of the present struggles have continued uninterrupted since 1984.

When we talk about 'housing' many people think of houses with brick walls, proper floors, roofs, doors and windows, with bathrooms and toilets and electricity, hot and cold water, and so on. It is clear if we use a definition like this, that the majority of the working class in South Africa do not have housing. Only a small minority of the black working class live in 'houses'. Even then, these 'houses' are made from the cheapest possible building materials. They are badly made, damp and overcrowded, with outside toilets and no bathroom. Very few of them have electricity. Meanwhile, the overwhelming majority of the black working class in South Africa live in conditions which are poorer still, in shacks or squatter camps. So when we talk about housing, we see that it means something very different for the black working class. And it is this very different experience of 'housing' that has been the reason why the working class has struggled so intensely around this question.

The present situation is clear - workers earn low wages and so cannot afford to buy houses that are built and sold for profit. A reasonably well-built three-bedroomed house today costs at least R40 000. Very few workers can afford to buy houses at that price. In fact, large sections of the middle class also suffer a housing crisis because housing is so expensive. If we look at most capitalist countries, we will find that workers there face a housing crisis.

THE BACKGROUND TO THE HOUSING CRISIS

There are two things that have made the housing crisis in South Africa particularly bad. The first is the particular way in which capitalism developed in this country. Capitalism in South Africa developed very suddenly with the discovery of gold. Gold mining needed lots of cheap labour to be profitable. African migrant labour

was the answer to this need for cheap labour. How could these labourers be housed at minimal cost to the capitalists? The answer to this question is the 'compound' or hostel system, which came to be the standard of what the African working class could expect for its 'housing'.

When the manufacturing industry developed, the capitalists needed a large black working class in the big towns. It was only at this point (1940s) that the state started building houses for African workers. But the same principle of spending as little money as possible still applied.

As the urban population increased, the presence of a large black working class in the big 'white' towns became a political danger for apartheid capitalism. The answer to this was the locations. These were built far away from the white residential areas and in such a way that they could easily be surrounded and controlled.

The pass laws and influx control were used to control the numbers of Africans moving into the towns. These laws were simply a continuation of policies that were in place decades before, whereby 'the native should only be allowed to enter the urban areas, which are essentially the White man's creation, when he is willing to enter and minister to the needs of the White man, and should depart therefrom when he ceases so to minister.'

(Stallard Commission, 1922. To "minister" means to attend to)

This quote, put next to the pass laws and influx control, shows for just how long a time the Capitalists have managed to ignore the working class' need for proper and permanent housing.

From the start, the locations did not accommodate everybody living there. Also, the pass laws and influx control could not stop the desperate need for people to move to the towns in search of work. The result of both these problems was shacks and squatter camps. So although the compounds and the locations became the standard of African working class housing, the majority of the working class have always had to make do with even less than these atrocious 'standards'.

BUILDING INDUSTRY MONOPOLIES

Another reason why the housing crisis has been so bad is because of the monopoly nature of the apartheid capitalist economy. Throughout the world today, capitalism is marked by this monopoly nature. But in South Africa it is extreme. Only four companies own 80% of the country's wealth. When we look at the building

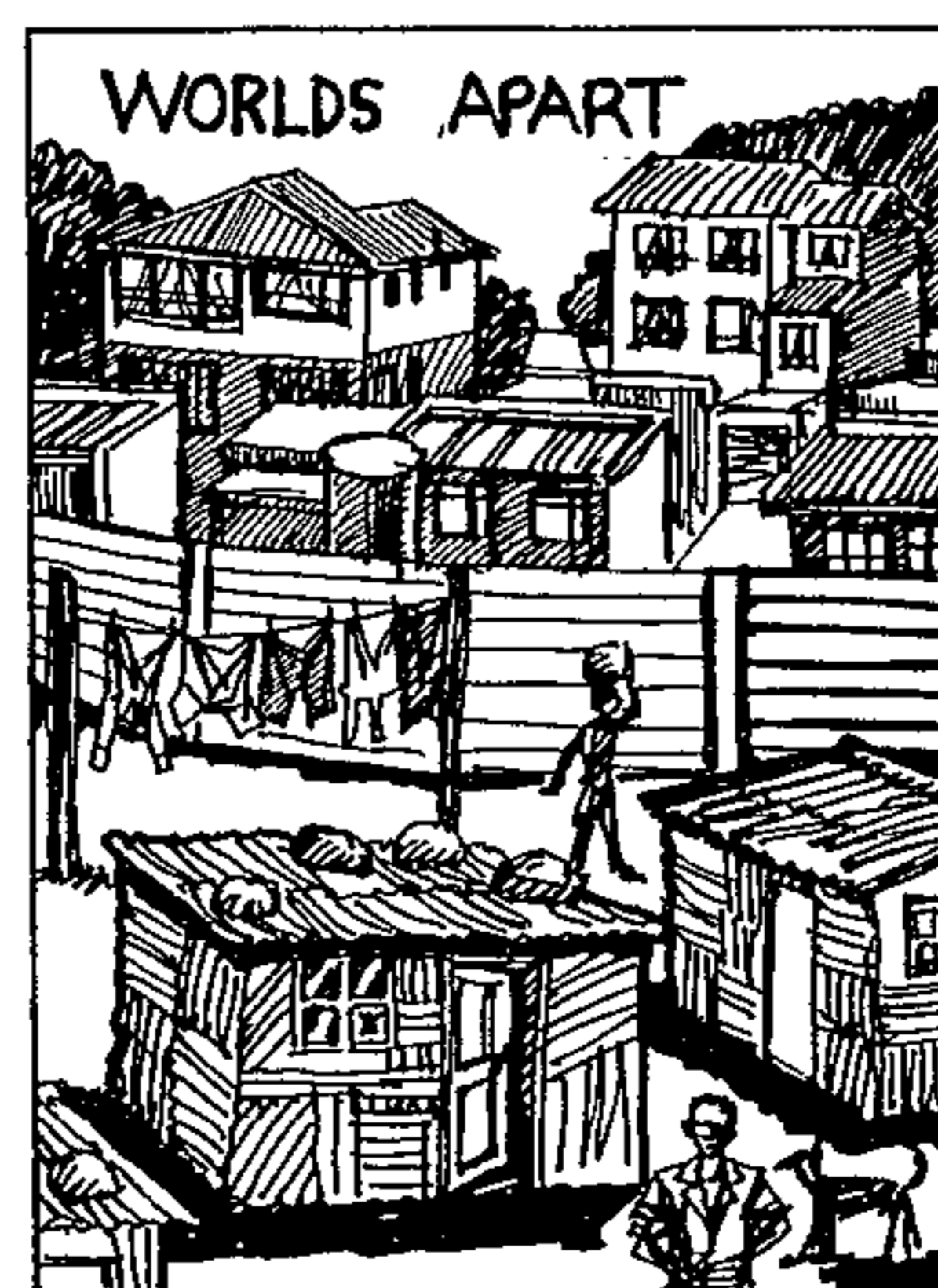
industry, we see the same tendency there. The finance companies and building societies that give housing loans are all owned by or tied to the Big Four companies. The biggest construction companies are also owned by the Big four.

Only two companies manufacture cement in South Africa and they both belong to the Big Four. These two companies have come together to form a cartel. In other words, they have come together to agree on the price they will sell their cement at. Because they have no competition, they can put up their prices all the time and make record profits. It is the same in the brick industry, where only one company has a complete monopoly over the whole brick industry. So it can get any price that it wants.

It is clear that the effect of high building costs, together with the freezing of new housing projects by the state since 1982 has caused a crisis of major proportions, for which the state and the building monopolies must be held responsible.

HOW THE HOUSING STRUGGLE BECAME POLITICISED

The struggle around housing in recent years goes back to before 1984. The late 1970s saw the beginning of many housing struggles around the country. These struggles gave rise to the formation of civic organisations in the townships. In the early days of the housing struggles, demands were often that the state should carry out its responsibility for maintaining township houses and that rents should be affordable. At that time, the state tried to sell the township houses to residents. Residents demanded that the state should give the houses to them free, because they had already paid for the houses with years of rent payments.



After the 1976 attacks on the Bantu Administration Boards in the townships, the government introduced the community councils. In 1982, these councils were given a large say in the running of the townships, and they quickly fell in with the Tricameral parliamentary system. In spite of their co-option, they got very little money from the government and could run the townships only by increasing rents.

In 1984, Vaal residents began their struggle against high rents. They also demanded that all community councillors in the Reef townships should resign. From 1984 - 1986 this last, political demand for an end to puppet structures quickly became the focus of all the township struggles around the country.

"ONE CITY, ONE TAX BASE"

The housing struggles of the past few years have not only demanded the resignation of councillors and lower rents, but also called for 'One city, one tax base'. For many reasons, this call goes right to the heart of apartheid housing. To this day, townships have a different tax base from the cities and towns to which they are attached. Apartheid capitalism has forced blacks to set up businesses and shops in their own areas, and blacks are forced to commute into the white cities and towns to shop for items unavailable in the townships. Cheaper prices and better stocks in the large city stores play a major part in attracting black consumers. So much so that a large percentage of the shops and businesses in the towns owe their existence to black consumers. But the rates and taxes which these shops and businesses pay go straight to white city or town councils. This money is then used to maintain and upgrade white residential areas. Industrial areas are likewise always zoned in such a way as to pay their taxes to, say, Johannesburg rather than Soweto. The result? Black residential areas are deprived of essential services like sewerage and electricity, while the 'white' cities squander money on fancy pavements, retarring good roads, and many other extravagances. If towns and adjoining townships had a single tax base, it would be possible to start correcting this imbalance at the local level.

So far, we have looked at the basic elements of the housing crisis, as well as at the responses and struggles of the working class. Next week we look at the state housing strategy, and the kinds of solutions that are being proposed for South Africa.

POLICY



LAND 1

New Nation
25/10 - 31/10/91
(Learning Nation)

CURRENT STRUGGLES

The Land Acts of 1913 and 1936 have always been seen as one of the cornerstones of apartheid. During the last session of parliament, the government formally removed racial restrictions on land ownership by abolishing these acts. But people's struggle for land is not yet over. The effects of these apartheid laws and the policy of forced removals remains.

While very few old-style forced removals or incorporations into bantustans still occur, the question of who owns and benefits from land in South Africa has not been resolved. Many communities are at the moment engaged in bitter struggles about land.

What are the main themes of these struggles?

RESTORATION OF THE LAND

Many communities, uprooted from land they had owned or occupied for generations, have never lost the desire to return to their land. At the moment, there are 20 rural communities around the country actively involved in attempts to return to land they regard as theirs. And there are probably many more people who wish to return, but have not yet organised themselves. Many readers will have heard of the Mogopa people's story of forced removal and return. They occupied their land in defiance of the government two years ago. After protracted negotiations and court cases they have recently won the right to remain on their land. **But there are many other communities who have not been so fortunate.**

Since November 1990, the Barolong tribe of Machavie and the communities of Goedgevonden (in the Transvaal), Crimen, Charlestown and Roosboom (in Natal) and Macleantown (in the Border region) have all tried to reoccupy their land. Only some of the people of Goedgevonden and Roosboom have been able to remain on the land, but their position is still insecure as they await the outcome of court actions and negotiations. Other communities like the Mfengu of Tsitsikama and the people of the farm Doornkop near Middelburg have been engaged in protracted correspondence with the government and land owners about their right to have land restored. They have had no success yet.

DEVELOPMENT

Most communities that won reprieves from forced removal or incorporation into a bantustan, remain underdeveloped. This is because the area has

been deliberately neglected by a government which until recently was trying to push blacks out of "white" South Africa. Residents of townships like Tshikota (near Louis Trichardt), Koster (near Ventersdorp) and Lawaakamp (near George) are now trying to improve their housing, services and facilities at an affordable cost.

Water supply, health and education facilities are serious problems in many rural settlements. In areas such as Driefontein and Daggakraal (in South Eastern Transvaal), Mooiplaas and Kwelera (in Border region) and Matiwane's Kop in the Natal Midlands, there is severe overcrowding.

Because of previous policies which tried to force all black from "white land", areas like these became the refuge of homeless people and now there is not enough land for farming.

These areas need to get a share of available resources to develop their settlements and improve the everyday lives of people living there. In particular, women in these areas are starting to demand the right to help determine priorities for development, since they are often the ones who must run the household when the men are working in the cities.

RURAL LOCAL GOVERNMENT

To develop their areas, communities will have to work through strong accountable local government structures. Under apartheid, local government was used by officials to control and oppress communities. In the new South Africa, communities will have to think about how they want to administer their areas. This raises many questions about the role and composition of current structures - for instance should they be the civics, residents' associations, community authorities or tribal authorities?

Should they be hereditary or democratically elected? Which structures will serve the community best? Can all sectors of the community (for example women, youth) participate equally?

At the moment the government is trying to change legislation about rural local government. Several communities feel that the proposed changes are not a great improvement on the present apartheid legislation. They want to work out a whole new system that will serve their needs and have the support of their people.

While there is a lot of discussion about development and local government in urban townships,



there has been little about rural local government.

BANTUSTANS

Under apartheid, the government established bantustans and cast millions of people into the "care" of these puppet governments.

Communities in the bantustans feel excluded from the debates and discussions about the new South Africa. In particular people living under the rule of Bophuthatswana have seen little change or improvement in their situation. Repression has continued, and the South African government is unresponsive to people's pleas for assistance. So even though the South African authorities are making concessions about reform in "South Africa", they still refuse to take responsibility for people in the bantustans.

Communities who were forcibly incorporated and who opposed Bophuthatswana face continued harassment by bantustan police and vigilantes. The tragic story of Braklaagte in the Western Transvaal was told in an earlier edition of Learning Nation. Other communities such as Thornhill and Peulton in the Border region are affected by similar problems in relation to the Ciskei. **Until constitutional agreements for a new government include the land and people of the bantustans there will be no real change in South Africa.**

FARM WORKERS AND LABOUR TENANTS

The National Manpower Commission has finally recommended that farm workers' conditions of employment should be controlled by legislation. This is a major breakthrough for one of the most exploited sectors of workers in our country. **But their rights to land and housing has not been addressed. Farm work-**

ers live at their places of work and need to have some form of security or offer of an alternative place to live if they are evicted. Their situation is becoming worse as more and more farmers are deciding to reduce the number of their employees. These farmers fear future legislation over wages, unionisation and working conditions. Homeless and unemployed, evicted farm workers face a desperate future.

The problem may be even harder for labour tenants. These are people who farm land in exchange for working a few months year for the farmer. In many cases, the families of labour tenants have lived on the particular farm for generations, often witnessing the selling of land from white farmer to white farmer. But they have no legal right to this land. They are also farmers and in most cases have no desire to go into wage labour. But when a farmer decides he no longer wants them on the land, they have no legal right to stay even though they have invested in housing and livestock and may have lived there much longer than the current "owner". The land claims of labour tenants has to be addressed in a creative way which offers both tenants and farmers entrenched security of occupation.

There is no mention of their situation in the new legislation on land.

Next week, we will look at the government's 'White Paper' on land reform and legislation. We will also offer some guidelines for future land policy.

This article was produced by The Transvaal Rural Action Committee (TRAC) of: Khofso House, 25 Anderson St, Johannesburg. Ph: (011) 833-1063

(123) 16G 16/10/91

What's in a (street) name? Plenty, if you live in the townships

**EDWARD MOLOINYANE
Staff Reporter**

THE naming of streets, considered a non-event in other communities, has become an emotive issue in the townships where the "liberalisation" of last year resulted in a scramble for political turf.

Townships and their streets used to be named by the authorities, after discredited town councillors and even Nationalist cabinet ministers.

But all that has changed and activists, sidelined for years, are having a field day naming streets and settlements after political idols.

But this new-found "freedom" has pitted organisations against one another as the battle for superiority becomes the name of the game, especially in Khayelitsha.

Politicised township residents belong to the PAC, the ANC or the Azanian Peoples Organisation.

In Town Two, Village Three, now three years old, ANC-aligned civic association members have named all streets after leaders of the ANC/SACP alliance.

The village has been re-named Mandela Park and kerbstones bear legends such as Chris Hani Circle, Walter Sisulu Road Distributor, Tambo Road and Bahandwa Ndondo.

There are also roads called Victoria Mxenge, Joe Slovo, Ashley Kriel and even Archbishop Tutu.

The late President Samora Machel of Mozambique, who gave sanctuary to the ANC when it was banned, is honoured and so is Zambia's Kenneth Kaunda.

PAC members in the area claim the civic association turned down names of their leaders.

The PAC members say a street they named Robert Sobukwe Road was renamed Wilton Mkwazi, after the Rivonia trialist who was released from prison with other ANC leaders in 1989.

PAC and Azapo members say they view this sectional naming of streets as "sheer political opportunism aimed at promoting one political organisation at the expense of others".

Khayelitsha town clerk Mr Graham Lawrence said the area was under the jurisdiction

of the Cape Provincial Administration, through which the civic association had carried out the naming of streets.

When the discredited urban bantu councils and development Boards ran the townships in apartheid's heyday, streets were often named after councillors, who are still regarded in the black community as apartheid's blue-eyed boys.

A main street in New Crossroads was named after former Minister of Co-operation Dr Piet Koorhof, whose name sends shivers down the spines of millions of African victims of apartheid and its bedfellows like forced removals and the pass laws.

The name of Kaizer Matanzima, regarded in the black community as the first "collaborator and sellout" because he accepted "independence" for the Transkei in 1976, graces a street in Nyanga.

Ironically, in one of the many contradictions characterising the "new South Africa" the very activists who oppose "collaboration" have named squatter camps in other parts of the country Holomisa Park after present Transkei strongman General Bantu Holomisa, who operates in the same government-created structure.



KAUNDA STREET: Far from his central African home, President Kenneth Kaunda of Zambia is immortalised on a kerbstone in a dusty Khayelitsha street. Also remembered is dead black activist Steve Biko, right.

Pictures: OBED ZILWA, The Argus



Call to zero rate housing

Sowetan 17/10/91



By JOSHUA RABOROKO

VARIOUS political groups, trade unions and business organisations have made the suggestion that property purchases should be zero-rated for VAT and payment of bonds should receive tax relief. Sowetan 17/10/91

Camdon's Group managing director, Mr Scott McRae, put forward the suggestion on the basis that housing was an essential commodity which should not be taxed and pointed out that the homeowner is "reeling" under the onslaught of increased bond interest rates, double-digit inflation, high taxation, and the imposition of VAT.

Massive industrial and protest actions are looming countrywide following altercations between the Government, trade unions and political organisations regarding VAT.

The groups have requested the Government to zero rate various items, including basic foods, water, electricity, medicines and medical supplies.

They have also demanded negotiating satisfactory poverty relief programmes; provisions for small business not be prejudiced by VAT; end to unilateral economic decision-making by the Government and big business; establishment of a jointly agreed forum for socio-economic restructuring through negotiations.

McRae said the decision by the institutions to increase mortgage rates again was dismaying. Bank profits were excellent right now and the hard-pressed homeowner would find it extremely difficult to reconcile that fact with the need to increase his bond payments yet again.

He said: "Abolishing VAT for property purchases would provide a hefty 'kick start' for the economy by

boosting the property market and the construction industry with its massive employment potential, and creating demand for a multitude of service industries.

"The VAT concessions announced by Minister of Finance Barend du Plessis last month would provide temporary relief for the homebuyer.

"However, thereafter VAT would be charged at the full rate of the new 10 percent level announced by the Government.

"Originally VAT was set to 12 percent. The reduction to 10 percent is therefore a concession in itself. But the case for eliminating VAT completely is very strong.

"An economist will almost certainly tell you that any revenues lost to Government by way of VAT will be more than made up by the stimulus to economic activity that will follow.

"While the Government slice of each individual piece of VAT cake will be smaller, the cake itself will be larger. Just as importantly, the move would stimulate employment and possibly even help defuse unrest."

He noted that in granting the VAT concessions, the Government recognised the importance of providing housing and of assisting contractors and homeowners.

He said: "This may signal a change of attitude in the Government where, in the past, there has been at best, indifference to the worsening plight of the homeowner. But I would now call on the Government to take the concessions to their logical conclusions and make them general and permanent."

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PROPERTY

VALUE-ADDED TAX
Informal sector endgame

The VAT stick which is being used to beat government also looks set to give the low-income housing market a pasting. Even without this, the sector — regarded as a priority for those who envisage the future SA as a property-owning democracy — is all but crumbling at the foundations. (123)

DP MP Tony Leon points out that at Khayelitsha in the Cape Peninsula, for example, which he visited recently, there were 12 homebuilders in the market a year ago; but now there are only two. The significance of the withdrawals is that they were pre-VAT. Given the volatile situation, the tax will make things even more difficult.

He comments: "Without a satisfactory solution at the bottom end of the market, we just won't be able to build high enough walls around top-end homes to make them safe."

According to Independent Development Trust Finance Corp figures, there is a 1,2m black housing backlog with an additional 1,1m homes needed this decade. That translates into an annual demand for the construction of 174 000 houses between 1990 and 2000. But only about 25 000 dwellings are being built each year.

To cap it all, says Gavin Hardy, chairman of the National Association of Home Build-

PROPERTY

FM 18/10/91

Shaky foundations

(123)

ers (NAHB) and head of Murray & Roberts Housing, VAT is adding another nail to the coffin of the housing industry — both from a contractor's viewpoint and for the country's estimated 7m shack dwellers.

Ironically, he says, measures taken to ease the building and property markets into the VAT era through a gradual phasing in have created a virtually unworkable situation for contractors. "Inland Revenue has provided guidelines on the phasing. But it is so complex that we, as a large organisation with the resources to do it, have qualified chartered accountants employed to decipher them — I don't know how smaller companies are managing. An unworkable number of permutations can be worked out from the matrix.

"VAT may well be a better system of tax collection but if the methods introduced to facilitate this are impractical it all comes to naught," he says.

But if VAT makes things difficult for home-builders, M & R Housing's Noel Ayres believes it makes home ownership well nigh impossible for the country's millions of shack dwellers, euphemistically known as the informal housing sector.

Based on an Eskom survey of 260 households at the Orange Farm settlement outside Johannesburg, the approximate household income is R770 a month. Even at this level, Ayres explains, home ownership, coming to an average of around R5 000 a dwelling,

There are seven million shack dwellers in SA. Each shares his home with six to nine others. Total income per shack averages R800 a month which is spent as follows.

MONTHLY BUDGET		VAT could add 5%
	R	
Taxi, bus and train	200	15
Food (R1 a person a day)	300	15
Repayment on house over four years	163	15
Clothes	50	-1,32
Drinks, tobacco and sundry	50	-1,32
School fees and related costs	15	1,50
Fuel, coal and gas	45	-1,19
Doctors' bills	10	1
Church donation	5	
Stokvels/Funeral	20	
	858	43,67

needs to be financed. Prior to the introduction of VAT, this required a deposit of R750 or less with monthly instalments of just over R148 over four years.

He estimates: "VAT will add nearly R15

to these costs — which may not seem much. However, when one considers that this is roughly 2% of the take-home pay and many households are already living beyond their means (see cost of living table)."

The cost of living for these families is also being pushed up by VAT.

Leon stresses that he doesn't want to bash government over VAT. Zero-rating housing would not wipe out antagonism to VAT, he feels: "There are people looking for a cause of war to maintain mass mobilisation and protest. Government, through VAT, has unwittingly handed them the ammunition."

Nevertheless, he's convinced that the country's first priority is the provision of affordable housing. This should be reflected in fiscal policies.

Leon adds: "Government identified export-driven growth as a priority — hence the treatment of VAT on capital goods. That was making an economic policy and giving it physical effect. It must try the same with housing if it hopes to establish the commendable goal of a property-owning democracy in SA. To do so, it must tailor all other considerations, fiscal policy included."

While Hardy and Leon may well be pleading for special interest groups, there is little doubt that the low-cost housing is a political flashpoint which needs addressing along with other critical political and economic issues.

MANY landlords have illegally raised domestic rents to meet their Vat costs.

Domestic rental accommodation to natural persons is exempt from Vat. But this also means the landlord does not receive input refunds on Vat for expenses, such as repairs and maintenance.

Rents may not be increased because of Vat on expenses. This is because certain expenses carried GST which was taken into account in determining the rent. Vat paid on previously GST-exempt items should be partly offset by the drop in the tax rate from 13% to 10%.

Tenants with leases for fixed monthly domestic rents who have suffered an increase because of a landlord's claims about Vat should check on the legality of the action.

Tenants should be aware that costs for their own account, such as electricity and repairs, are Vatable. Tenants have to bear this additional cost.

The Act does allow an increase where Vat is to be levied on the actual contract, such as business rental leases and accounting services.

Hotels

Where landlords receive both Vatable and exempt rents, input credits will be granted only for the Vatable portion. Where the Vat expense is not directly attributable, then credit refunds will be apportioned between Vatable and exempt receipts.

For residential hotels where 70% of residents are expected to stay longer than 45 days, Vat is calculated on 60% of the guests payment.

Where meals and other services are provided, at least 20% of the total charge is allocated to meals on which Vat is charged. The remaining 80% is subject to the same apportionment of 60%.

Landlords already in on the profit act

VAT and YOUR BUSINESS

SOME landlords are profiteering, according to this article in the series based on the manual VAT — A day in the life of your business, written by Tony Dreisenstock and Nick Friedland in association with chartered accountant Levenstein & Partners.

The manual, comprising more than 400 questions and answers, has been expanded after a series of workshops on VAT. The questions and answers, together with additional charts and tables, have

been added to the manual.

The price of the expanded manual is R69,95 (excluding GST) plus R5 postage and handling fee. It is available from: VAT: Levenstein & Partners, Box 18600, Hillbrow 2038.

Readers with VAT questions or problems should write to the Editor of Business Times. They will be dealt with confidentially and may be discussed in general terms in this series.

so the effective Vat rate is about 6,8%.

The private sale of residential property between individuals is unlikely to include Vat because the seller is unlikely to be registered as a vendor. Purchases from a development company registered as a vendor are taxed. However, when Vat is paid there are no transfer duties.

With shareblock units or sectional title ownership, Vat is charged only on the monthly levies if the management company voluntarily registers for Vat.

An exception is timeshare units where the levy charged is considered part of the holiday and not residential accommodation and carries Vat.

There are special transitional rules for property until March 31, 1992:

- All property agreements completed before September 30 are exempt from Vat, irrespective of the transfer date.
- A builder with dwellings completed in the 12 months before Vat, will not charge

tax if the buildings are sold before March 31.

● A dwelling completed and sold before December 31, 1991, will be taxed at 3%.

● A house completed and sold before March 31 will be taxed at 6%.

● A house completed after March 31 will be taxed at 10%, irrespective of when the sale is completed.

● Land acquired for the construction of a dwelling before March 31 will be taxed at 6%.

In all the above where Vat is levied below the standard rate, transfer duty of 3% is payable.

Irrespective of the Vat status of a property transaction, a registered estate agent charges Vat at the standard rate on his commission.

Region well placed to cash in on growth

B/Days 21/10/91
CAPE Town and the western Cape economy is well placed to take advantage of growth strategies adopted by government, says Western Cape Growth Organisation (Wesgro) executive director David Bridgman.

He says a mix of strategies, including redistribution and export promotion, will be necessary to stimulate growth, and the western Cape's economy straddles both areas.

"On the one hand, the region's traditional strengths in agriculture, fishing and food processing, coupled to its strength in clothing, footwear and furniture, result in it supplying those products in demand by poorer people as they become better off.

"On the other hand, the region's traditional base in trade, coupled with its emphasis on light manufacture and value added products which can absorb the cost of transport up to the PWV market, mean it produces goods more easily exported.

"Many local producers will recount that it is cheaper to transport their products to Europe or South East Asia than to Johannesburg," Bridgman says.

Artisan labour also has the skills needed for a quality conscious export market.

"On top of all this, the region enjoys an opportunity to sell a broad range of its products and services not easily exported through



DAVID BRIDGMAN

its growing tourism sector."

Bridgman says the effects of this scenario have already been felt, leading to the better performance of the metropolitan Cape economy compared to other SA cities.

"Many believe the diversity of the Cape economy and its ability to serve SA's twin economic imperatives of redistribution and exports will cause the regional economy to outperform that of the nation during the '90s."

Housing backlog is cause for concern

B/Days 21/10/91 (123)
HUGE backlogs in housing for the lower to middle income groups in the coloured community are not being addressed because of the exclusive attention being given to squatter housing, says Cape Town City Council's housing committee chairman Neil Ross says.

"People are streaming into Cape Town from the Ciskei and Transkei and they tend to get preferential treatment in terms of housing, whereas people who have been established here for a lifetime are not getting the treatment that is necessary," Ross says.

"The need for housing in the coloured community is enormous, but because coloured people don't live in squatter camps, this need is not being addressed.

"Yet in every housing estate there is a squatter settlement within the housing estate itself. People are

living in shacks in the backyards."

The waiting list for council houses — only a rough indicator of demand — is running at about 40 000.

The situation has become so hopeless that people don't even bother to put their names down on a list which requires a waiting period of about eight to 10 years.

This year the council asked the state for R67m for housing, but only received R17m and has only built about 200 houses.

Last year, R54m was granted.

The council's application for finance in terms of the IDT's R750m capital subsidy scheme was unsuccessful.

Ross says another sad aspect of the housing situation is the failure to build rented accommodation.

Poorer people need rented accommodation, rather than owning their own, he says.

TOWNSHIP DEVELOPMENT PROPERTY AT DURBAN



Straw bricks for housing

THEO RAWANA ¹²³
HOUSES built of straw have been proposed as a solution to the urbanisation crisis in SA.

An entrant in the Audi Innovators for the Environment programme, Len Bes-tele, has told organisers he has devised a way of using waste products such as straw, sawdust and maize stalks to produce strong, lightweight bricks and paneling.

Audi says in a statement the invention involves waste materials being bonded with cement and compressed to form bricks, panels and even window frames.

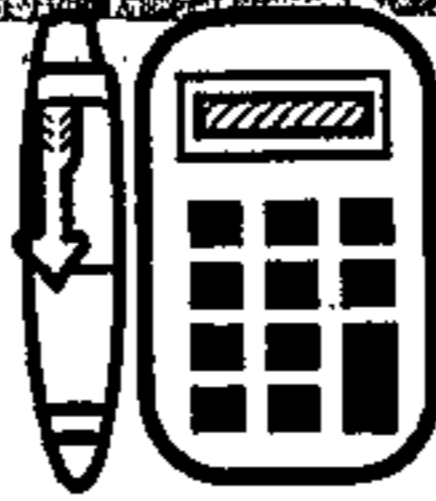
"Waste found on site can be used and the process does not require skilled labour. *Stacy 21/10/91*

"Pyrosil bricks have been successfully tested and approved for thermal conductivity, fire resistance and compression strength by the CSIR and SABS," says the statement.

The Pyrosil building system has already been used in family homes in Mauritius.

The house parts can be packed into containers and assembled in five days, Audi adds.

We cut the bills - not the frills!



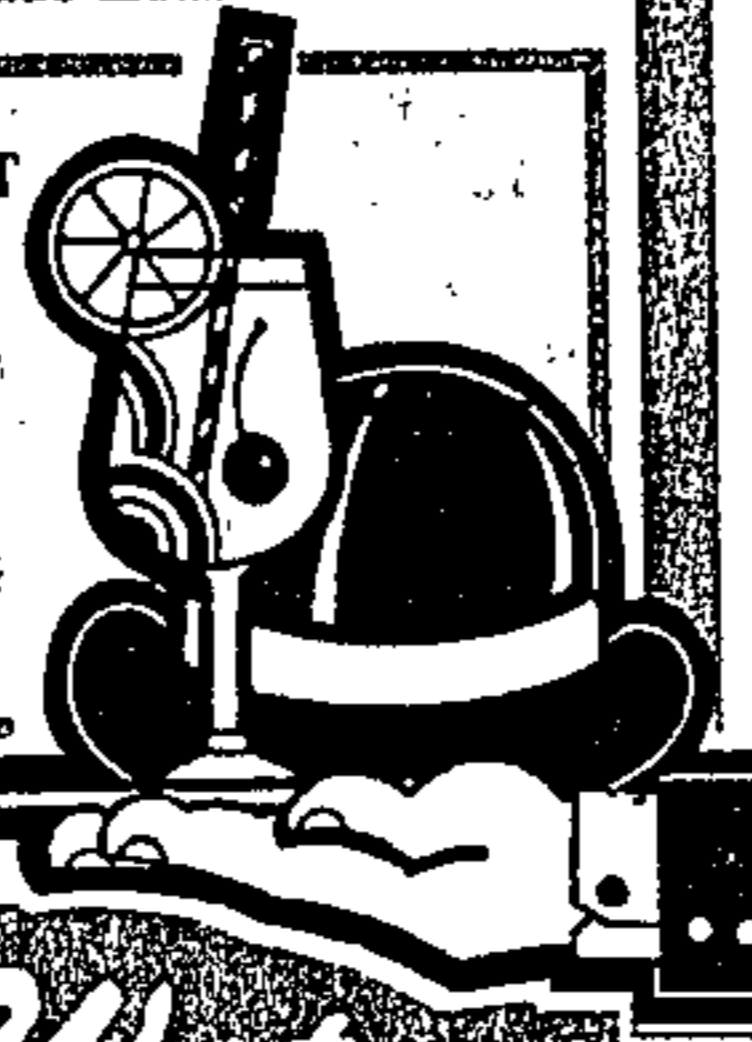
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'Industry could handle huge housing plan'

123

PETER GALLI

THE Old Mutual/Nedcor housing scenario to kick-start the economy could see an additional 100 000 people employed if it were implemented, SA Building Industries (Bifsa) executive director Neil Fraser told delegates at its annual conference at the Wild Coast Sun yesterday.

One of the proposals in the Nedcor/Old Mutual economic plan was that 200 000 low-cost homes be built a year for three years; that 400 000 plots be serviced and a million houses be provided with electricity annually over the same period.

Fraser said the industry could handle the task.

A Bifsa analysis showed that about 55 000 people would be employed as supervisors, skilled operators, semi-skilled and unskilled workers to provide services and civil engineering facilities.

In addition, about 90 000 people, including 4 000 supervisors, would be employed on building work.

At least 800 small companies could be established as a result of the programme, he said.

Fraser then detailed what would be involved in such an initiative. Bifsa based its analysis on a house of 425m² with two bedrooms, a living room/kitchen and bathroom.

"While such a house is too sophisticated for very low income earners, it is within the affordable levels of many others and thus represents an average demand."

The analysis included a complete programme for the operation, based on the completion of 80 houses countrywide each working hour, Fraser said.

Bifsa has programmed the building of single houses at 18 days a house, not including site clearing and electrical reticulation.

"The manufacture of the materials required would provide thousands more jobs and promote small business.

The 286-million concrete blocks required could be almost entirely produced by labour-intensive small entrepreneurs," Fraser said.

Rand more resilient against 'new' basket

SIMON WILLSON

THE rand is noticeably more resilient on average against a basket of trading partners' currencies since the Reserve Bank's changes to the trade-weighted rand's currency basket.

The trade-weighted, or effective, rand shows the rand's value against a cross-section of currencies weighted by trade flows rather than as a bilateral rate against one or other of the major currencies.

The rand's trade-weighted value is expressed as an index, where January 1979 equals 100.

The basket of currencies against which the effective rand is measured contains the currencies of SA's six biggest trading partners. The top four currencies in the basket have changed little over the years: US dollar, British pound, Deutschmark and Japanese yen.

The bottom of the currency basket ranking is more volatile.

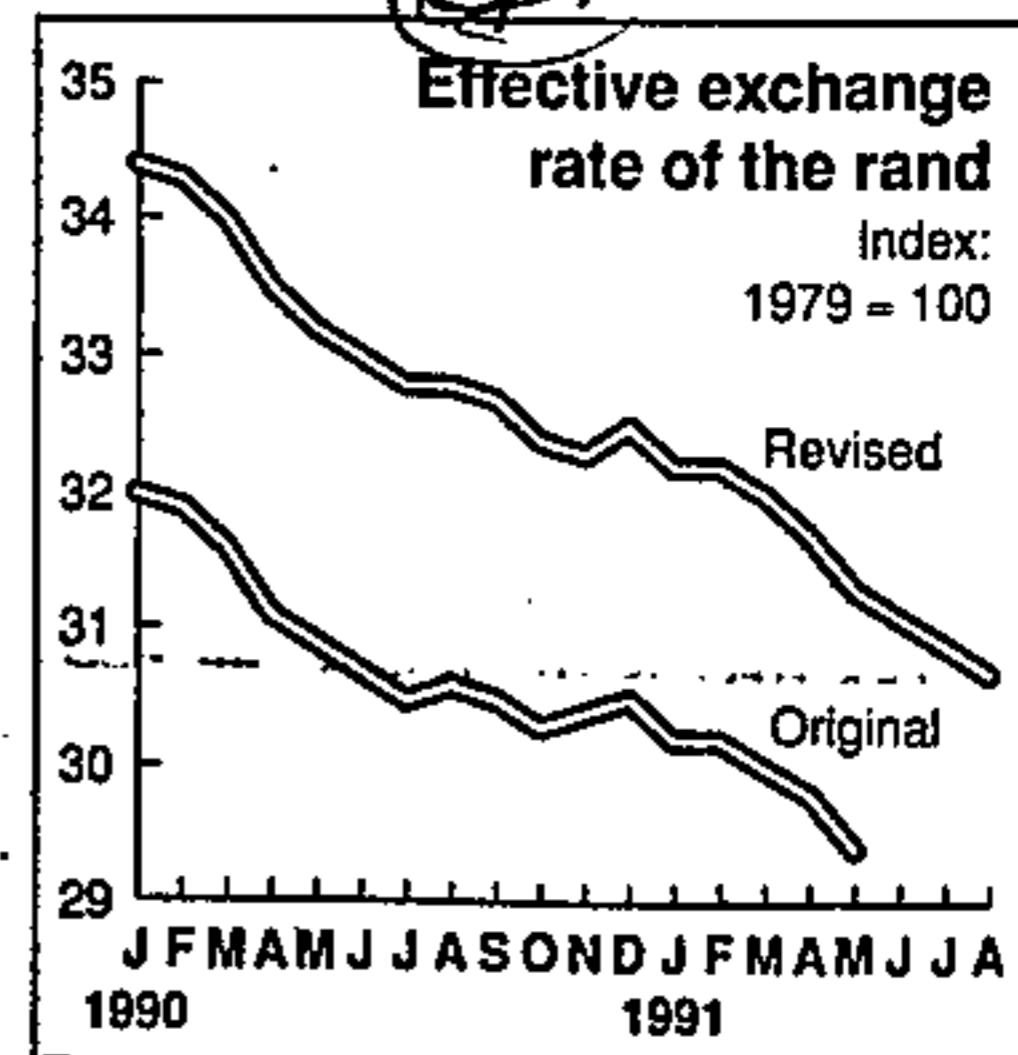
Static

The change enacted by the Reserve Bank during the third quarter was to toss the Swiss and French francs out of the basket and replace them with the Italian lira and the Dutch guilder.

The switch implies a shift in trading patterns over the 12 months since the Reserve Bank last examined the composition of the currency basket. Trade relationships with Italy and the Netherlands would seem to have burgeoned, while those with Switzerland and France have remained static or fallen off.

Official figures detailing SA's trade with individual foreign countries have been classified since the mid-1980s to avoid sanctions pressure. SA Foreign Trade Organisation (Safto) economist Bruce Donald said commercial relations with Italy and the Netherlands had indeed expanded recently.

"Italy stands out as a major growth point for SA exports, and the Italian market has moved up considerably recently among SA's other export



Graphic: FIONA KRISCH Source: SA RESERVE BANK

markets," Donald said. Precious metals constituted the main SA export to Italy, followed by coal, base metals, metallic and non-metallic ores and hides and skins — highlighting Italy's buoyant jewellery and leather consumer goods industries.

Donald added that the importance of the Netherlands was centred on its role as a gateway to Europe through the giant entrepôt of Rotterdam.

"SA exports to Rotterdam cover a wide spectrum and include huge amounts of bulk minerals and containerised cargo. This traffic can be expected to increase substantially in the years ahead in view of the removal of political trade barriers within the EC."

The growth of SA freight traffic through Rotterdam may also have been helped by the more compliant attitude of the Dutch dockworkers. Trade union sensitivity over handling products of SA origin had been overcome earlier in Rotterdam than at some other European ports.

Donald said the importance of France as a supplier had declined since 1988, while there had been a parallel decline in the significance of Switzerland as a market over broadly the same period.

The dramatic improvement in SA's commercial relationship with Italy seems to have been visible during last week's visit to Italy by Trade and Industry Minister Org Marais.

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ANC targets J P Morgan

FROM SIMON BARBER

WASHINGTON. — ANC secretary general Cyril Ramaphosa has asked the US sanctions movement to deter investment bank J P Morgan from lead-managing a \$100m Eurobond issue for the Independent Development Trust.

In response, the American Committee on Africa, a UN- and privately-financed lobby that acts for the ANC, has issued an "action alert" calling on state and city governments to "make clear to J P Morgan that it risks losing their business".

The bank, which has claimed it has the ANC's blessing to raise the

finance to build classrooms in black communities, was due to hold its first meeting with potential investors in London yesterday.

Morgan was encouraged in the belief that its had the ANC's endorsement by an October 9 letter to IDT Trustee Dr Mamphela Ramphele, approving her request to participate in the fundraising effort.

In a statement being distributed by ACOA, Ramaphosa insisted the letter was being misinterpreted. It only approved IDT's efforts to raise grants and was "not an endorsement".

● A J P Morgan spokesman said the bank will go ahead with its European meetings this week.

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FROM SIMON BARBER

123

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Providing a home for every urban worker

123
Soweto 24/10/91

THE black-owned Mepco building and construction company started, solely with the low income group in mind, tries to make every employed urban dweller a homeowner.

Managing director Mr Mtshali says his company places special emphasis on providing affordable, secured and high quality homes.

It is concerned with the 86 percent of the black population that is looking for affordable homes while financial institutions regard them as an "economic risk".

Mtshali has appealed to State President FW de Klerk and the African National Congress and people with research knowledge to plan a new strategy to overcome the housing shortage.

A great deal of money lies fallow in provident funds. It could be used to help people acquire a home.

Mtshali wants that small builders should be given a chance to prove themselves. Black and white builders should unite, he says, adding, white builders have the capital and the expertise while blacks have the labour.

He stresses that training and education is vital. Institutions should concentrate on courses for builders, which look at the practical side of running the industry.

He wants more land to be made available to black developers.

"This could ensure

By JOSHUA RABOROKO

more houses for less money in the low income group."

Violence and uprisings in black areas has greatly affected the building industry, he said.

A builder from Sebokeng is not allowed to build in Soweto, for example, he said, and that restricts them in their work.

For more information on Mepco contact 333-3232 or 333-3234.

Housing trust needs funds

LESLEY LAMBERT

THE South African Housing Trust (SAHT) is looking for new funding sources to replenish the initial R400m the state provided when it was established in 1987.

The SAHT, which built 11 604 new homes valued at R196m and approved 4 772 valued at R83m during the past financial year to June 1991, would have to raise new funds if it was to sustain its past growth pattern, MD Wallie Conradie said yesterday.

Spokesmen for the SAHT's financial divisions said the trust would approach government and financial institutions for additional funding. *B10 day 25/10/91*

It was hoped that government, which had undertaken to guarantee loans valued at R800m at the SAHT's inception, would provide the "soft" loans required to subsidise ordinary bank loans.

The financial institutions would only become substantially involved in the low cost housing market if the political and non-repayment risks associated with the market were minimised, the spokesmen said.

Apart from the SA Perm, the other financial institutions continued to steer clear of the market because of these risks, they said.

Ben Pieters, manager of Khayaletu Home Loans, the trust's long-term financing division, conceded that the trust's debtors book had been affected by bond boy-

cotts and that current levels of bad debt in the low income market were "worrying". Conradie added, however, that they were still controllable. *(123)*

It was still too early to expect foreign funding, Pieters said.

Potential foreign investors were being scared off by the continuing political instability and threats of nationalisation and wealth redistribution.

Since its inception the SAHT has facilitated the building of 29 000 homes and the servicing of 40 000 residential sites.

Its board has approved projects to the value of R1,4bn which will result in the construction of 67 000 houses and the provision of 68 000 serviced stands.

Last year, the trust facilitated the construction of about 40% of the homes provided nationally for low-income communities. Khayaletu Home Loans has granted 20 000 home loans, worth R402m, to low-income families.

By the 1991/1992 financial year, 2 100 labourers had worked their way through the trust's local builder-development programme.

House repossessions soar 80% to R430m

S/Times (BUS) 24/10/91

123

By TERRY BETTY

HOUSE repossessions by major building societies reached R430-million in June this year — an 80% increase on March last year.

Bankorp economist Emile van Zyl says the trend is expected to continue until mid-1992 when the hoped-for upswing is expected to gain momentum.

Financial institutions that previously functioned as building societies have been hit harder than newcomers to the home-loan business, largely because they have older books.

NBS assistant general manager, finance, Paul Leafwright says his company's repossessions increased by 430% from R17-million in March 1989 to R90-million now. The figure is 1,6% of the NBS mortgage book.

Market sources say UBS, the Perm and Allied have been affected to a similar extent, but the trio refuse to disclose figures.

Allied managing director Bob Aldworth says repossessions have been across the board, but are concentrated in the under-R100 000 range.

Burden

Mr Leafwright says growing unemployment is largely to blame.

It has caused property prices in some mining towns to drop because retrenched workers have left to seek jobs elsewhere.

High interest rates have also taken their toll, especially among borrowers with bonds from the old building societies.

Mr Leafwright says many people took out bonds when the rate was about 13% in the mid-1980s. With interest rates now about 20%, there has been a 50% increase in monthly repayments.

An added burden for borrowers with bonds subsidised by employers is that such subsidies are now fully taxed.

Banks are generally unwilling to repossess houses because it costs about them R9 000 a month until a R100 000 property is sold, says Mr Aldworth.

Among the costs are legal fees for attaching the property and having the family evicted. Others are the opportunity cost of lost revenue, insurance, vandalism and installing a guard on the site.

Mr Aldworth says that as long as a member of the family is receiving an income, payments can be re-scheduled. But little can be done to prevent increasing repossessions while unemployment grows.

Mr Aldworth says if a lender allowed a family stay in the house, there would be no incentive for others borrowers to meet their payments.

Mr Leafwright says NBS always tries to sell the house as soon as possible. It is generally willing to take a 20% knock before looking at other options. On average, NBS

loses 10% when reselling repossessed houses.

The other option is to rent out the house which yields a return and avoids the need for a guard. If neither option is possible, the house stands empty.

Mr Leafwright says NBS has had some houses on its books for about five years.

Banks have not been in the business long enough to make many repossessions.

Impact

A First National Bank spokesman says the company became active in the house loan market again only at the beginning of the year. It was little involved in the mid-1980s when most of the defaulting loans were issued.

But he expects FNB to feel the impact in the year ahead because borrowers are beginning to feel the pinch.

FNB has repossessed 206 properties worth about R11-million — less than 1% of its housing loan book.

Proposals for building of new houses are spelt out

Sowetan 28/10/91

123

THE executive director of the Building Industries Federation of South Africa, Mr Neil Fraser, has spelt out clearly what a national housing programme will mean to the construction industry in South Africa - and this is likely to provoke serious discussion in Government and building circles.

He said this when he presented a detailed "reply" to the Nedcor/Old Mutual proposal for a housing-oriented kick-start to the economy at the recent BIFSA congress.

One of the solutions proposed for the current recession by Nedcor/Old Mutual is that 200 000 low-cost house a year be built for three years - and that 400 000 plots be serviced and a million houses electrified annually for the same period.

Fraser based his analysis on a typical house of 42,25sq metres. This

By JOSHUA RABOROKO

would have two bedrooms, a living room/kitchen and a bathroom. The roof would be pitched and could be covered with a variety of roof finishings, dependent on the ultimate cost level being targeted.

He said that, while such a house was too sophisticated for all income earners, it was within the affordable levels of many and represented an average demand.

Operator

The analysis included a complete programme for the operation, based on completing 80 houses country-wide each working hour.

Bifsa has programmed the building of a single house at 18 days, exclusive of site clearing and electrical reticulation.

One of the most impressive aspects of the programme is the large number of people to

whom it will give employment.

The BIFSA analysis shows that some 55 000 people would be employed as supervisors, skilled operators, semi-skilled and unskilled workers to provide the services and civil engineering facilities.

In addition, a total force of more than 90 000 people, including 4 000 supervisors, would be employed on the building work.

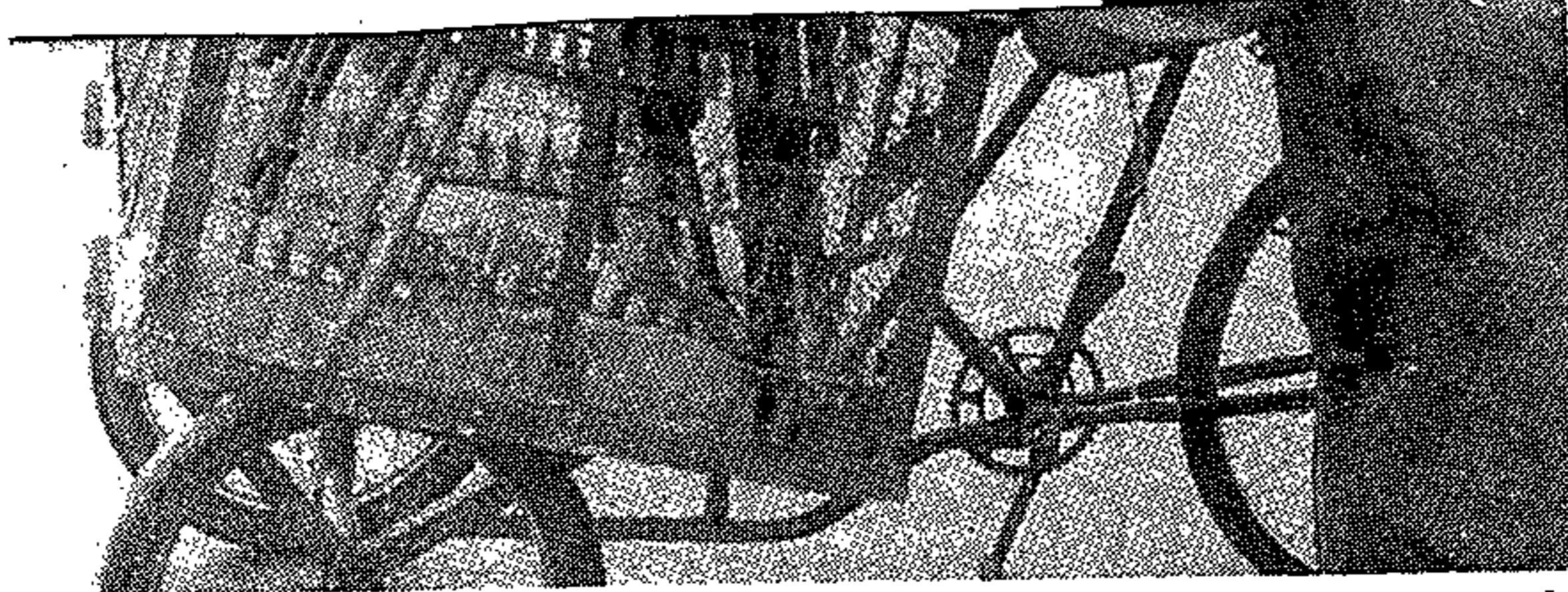
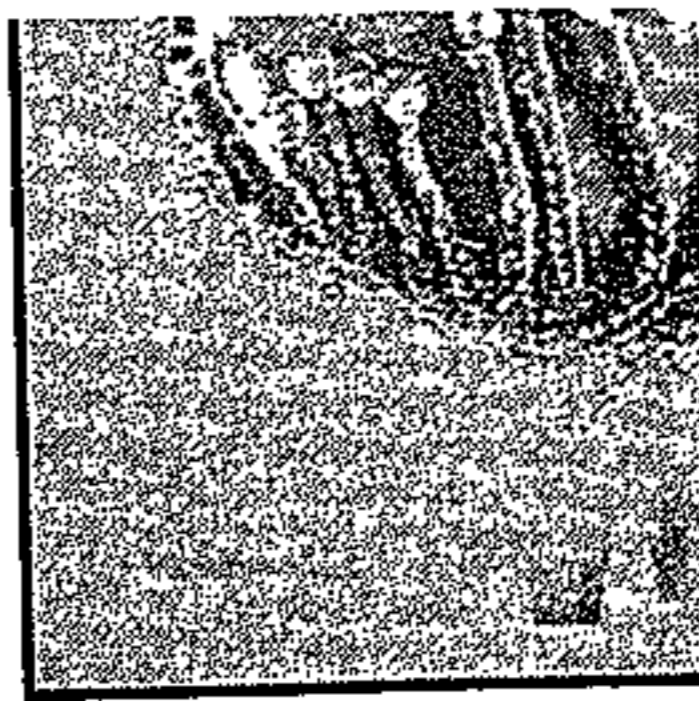
The majority of the workforce would be semi-skilled.

At least 800 small companies could be established as a result of the programme.

He pointed out that the manufacturer of the materials required would provide many thousands of more jobs and promote small businesses.

For example, Fraser said 286 million concrete blocks required could be almost entirely produced by "dozens" of labour-intensive small entrepreneurs.

Changes needed!



It's business as usual, come rain, wind or sun for Daveyton's 65-year-old Mrs Jane Twala as she peddles her wares, chairs for hire, with the aid of a three-wheeled bicycle.

Fewer first-time buyers than before

Sowetan 28/10/91

By JOSHUA RABOROKO

THE first-time home owner is an endangered species, according to Camdon's Group Marketing Director, Mr Bryn Hossack.

Reacting to the news that home subsidies are effectively being phased out by taxing them at almost the same level as the current bond rates, he said there was a distinct lack of support from Government for the first-time owner.

A fresh approach to the situation was called for, he said. Rising home costs, expensive bond finance and high taxation rates have put home ownership beyond the

reach of thousands of South Africans.

A potential brain drain to other parts of the world was one possible consequence.

Home ownership was one of the greatest aspirations of South Africans. There was now a strong possibility that only existing home owners would be able to afford to buy property by trading into another property, using the appreciated value of their property to do so.

He said: "There are already far fewer first-time home owners and

ultimately this is unhealthy for the vitally important property market - and for the long term prosperity of South Africans in general.

"First-time home ownership is literally the first step towards long-term wealth creation. For the majority of South Africans property ownership is the one certain route to creation of an asset in their retirement years.

"With the dubious compliments of inflation, that asset appreciates more rapidly than most other investments open to the average man in the street.

Hurdle

"However, the initial hurdle towards property ownership is often the most difficult one and the authorities, in my view, should be bending over backwards to make it possible for first-time home owners to acquire a stake in property.

He said that developers and banks have stepped in at their own initiative and have introduced various plans to make first-time ownership easier.

Laudable though that might be, he did not believe it was the developer's problem or for that matter the task of the institutions to provide such assistance.

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Indaba focus put on 'shelter for all'

123
Sovetan
By JOSHUA 28/10/91
RABOROKO

THE Institute for Housing of Southern Africa is hold an Indaba 2000 at the Elangeni Hotel, Durban from November 4 to 6 and will focus on the future of housing provision in South Africa.

The meeting, whose theme is "Shelter for All", comes at a time when South Africa is poised either for a collapse or an ascent into the heights as far as the housing delivery system is concerned.

Among the speakers at the conference will be a member of the ANC national executive committee, Mr Thozamile Botha; the Minister of Planning, Provincial and National Housing, Mr Leon Wessels; the chairman of the Multi-party Democracy, Dr Oscar Dhlomo; the chief executive officer of the Development bank of Southern Africa, Dr Simon Brand; and Zimbabwe's representative of Physical Planning, Mr Jaya Appalaraju.

Message

In a message, IHSA's president, Mr AF Erasmus, said the mould that would be struck in the next 24 months would either see housing provision degenerate into unthinkable chaos - far worse than could be imagined - or it would reach heights that none in the industry believed possible.

"We need to see the deflation of the political football called housing, and see housing become a concerned action programme aimed at benefiting South Africa as a whole by benefiting the individual and the community.

"Shelter for all is no longer an elusive dream. The resources of the world are now opening up to us. But the tragedy is that, even if billions of rands were to be poured into South Africa right now, the conduits for channelling it to the end-users are either blocked or not yet in place."

He was not disputing that small projects could be immediately implemented, but the overall contribution these would make on the whole scenario would be insignificant.

To remove the blockages would require all parties involved in shaping the future to agree to depoliticise housing provision, the creation of a single housing ministry with obtainable short- and long-term objectives, and the assignment of all but the most critical bureaucratic requirements to file N 13.

Violence stymies low cost housing

Property Editor

CONTINUED violence in black areas and the reluctance of financial institutions to provide funds for low income housing has forced yet another developer to reduce its exposure in the "affordable" housing market.

MD of Time Housing, a subsidiary of JSE-listed Time Holdings, John Williamson said for many years they had been a major player in the "affordable" end of the housing development market aimed mainly at black purchasers.

However, circumstances had forced them to reassess their position in some areas of operation, and to consolidate and refocus their activities on areas with greater potential, including upmarket developments.

Programme

The rationalisation programme would see the closure of five branches in Ladysmith, Harrismith, Bloemfontein, Witbank and Port Elizabeth which would reduce overheads by about R4m a year, he said.

Williamson said Time Housing would continue to operate out of nine main centres and would increase their investment in certain areas, including the Cape Peninsula and Bloemfontein where "we see potential in the residential property market".

He said while the lower end of the market continued to be beset by difficulties, they would continue to operate in areas where they were well established.

"We are currently completing more than 200 units a month at prices ranging from R35 000 to R100 000 including the cost of land."

'Socio-economic aid must not deprive other sectors'

B/Day 29/10/91

123

SA COULD not grow more than 2,5% on its current level of net savings available for productive investment and socio-economic expenditure, special economic adviser to the Finance Minister Japie Jacobs said yesterday.

He told delegates at an Economic Society seminar in Johannesburg on funding options to fight poverty that SA's growth rate could be even lower if it decided to force more resources into socio-economic projects.

The answer to the savings problem did not lie in forcing contractual savings institutions to invest in housing through prescribed investments.

The popular view was to impose prescribed investments on contractual savings institutions to force them to provide R5bn to R6bn a year for low-income housing, he said.

He said he had serious reservations about whether it was feasible to spend this amount on such housing.

"The danger is that too large a share of our resources may be channelled into socio-economic upliftment programmes to the detriment of sustainable economic growth supported by productive investment."

If SA wanted to spend more of its savings on housing, it would have to

SHARON WOOD

spend less in other areas.

Sankorp strategic research head Peet Strydom said monetary policy was an inefficient and ineffective means of redistributing wealth.

Fiscal policy and the wealth-creating growth process had to be used to fund poverty. Privatisation was a means of generating funds outside the tax system.

"The way we are doing it (privatising) is not the problem but the way we are spending the proceeds is."

Privatisation proceeds ought to be used to provide blacks with subsidised farm land or to generate employment-creating projects.

Unisa head of economics Phillip Mohr said the problem in SA was a low investment rate or demand for investment, which had resulted in low economic growth. "The symptom of this is low savings."

There had always been pools of funds in different areas of the economy which could have been tapped for investment but were not used, he said. There was no guarantee that total savings would rise if there was no demand for investment, even if taxes were reduced and interest rates were increased.

IDT seeks alternative to outdated hostels

123

^{5 (10 am)}
^{20/10/91}
PRETORIA — The Independent Development Trust (IDT) and several other development agencies are negotiating with "stakeholders" in the hope of providing an alternative to the controversial single men's hostel system, IDT chairman Jan Steyn said yesterday.

holds great promise but it is time consuming and progress is slow and agreements are fragile."

The IDT was determined to achieve its objective despite opposition from left and right.

Steyn said the IDT was also accelerating its "housing actions".

He said it was clear that the continued existence of the hostels, after the scrapping of influx control, was an anachronism.

"The IDT is implementing plans in terms of which we will make the development of more than 100 000 serviced erven in less wealthy black areas available with a payment of a R7 500 subsidy per owner."

"They are seedbeds of tension. Indeed it is clearly appropriate to replace hostels with more humane and normal opportunities for accommodation.

Steyn said there was a need for additional resources in the form of access to external loan funds, credit and development aid. — Sapa.

"The IDT has a formidable task to launch special development projects in an environment of quite frightening political complexity."

Steyn said a set of circumstances and problems made the launching of a development project a very delicate task.

The tensions and stresses surrounding the hostel system had made it impossible to act quickly and effectively to reform the system.

Steyn said some hostel dwellers were defending their inferior accommodation with determination and passion.

"At this stage the process

Our compo
wh
suits,
and ou

DGARS
earnings to 78,6c

Hostel programme stalled by tensions

By Helen Grange
Pretoria Bureau

(123)

Star 31/10/91

Continuing political tensions around single-sex hostels is making it impossible to reform the hostel system quickly and effectively, the chairman of the Independent Development Trust (IDT), Jan Steyn, said this week.

Speaking during the third annual Dirk de Vos Memorial Lecture in Pretoria on Tuesday, Mr Steyn said some hostel dwellers were defending their inferior accommodation with determination and passion.

Fortresses

The upshot had been that several development agencies, including the IDT, had entered into a process of negotiation with a range of stakeholders to attempt to map out a strategy overcoming impediments to

progress. "At this stage, the process holds great promise, but it is time-consuming and progress is slow and agreements are fragile.

Yet the identification of these opportunities and the resolution of these conflict situations will bring hope of a better future, and will facilitate the negotiation process," Mr Steyn said.

He said that in spite of the scrapping of the Influx Control laws, there were still roughly a million men clustered around roughly half that number of beds in scores of hostels throughout the country.

Hostel dwellers had become deeply embroiled in recent violence, some hostels becoming armed fortresses.

These were among the tensions which had made reforming the hostel system extremely difficult, he said.

Mr Steyn said this was just one of the problems development agencies like the IDT

were facing.

Another difficulty was finding land for very low cost housing near industrial and commercial centres, where land is most expensive.

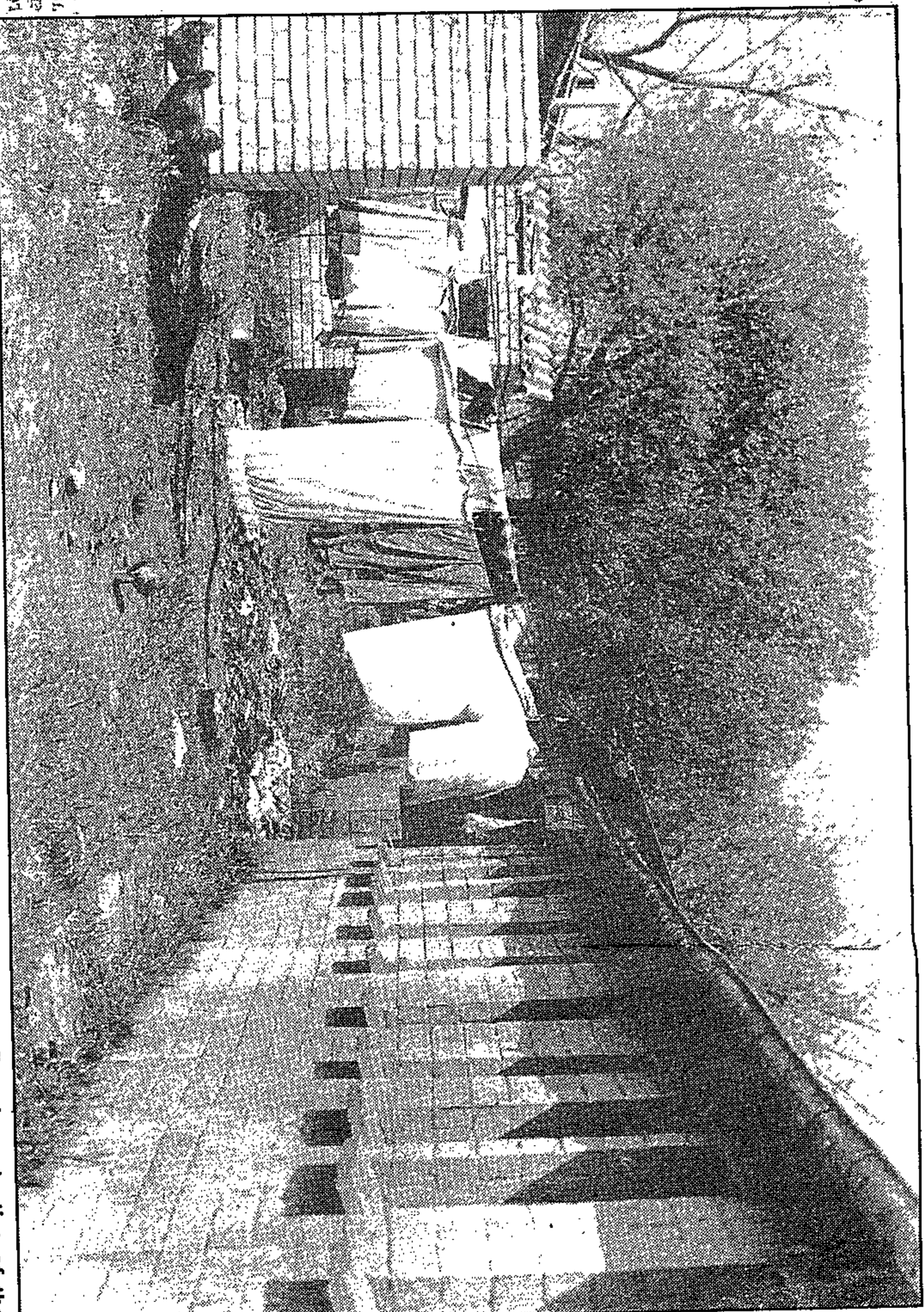
"To attempt to lower costs by providing even smaller postage stamp plots will create the basis for slum conditions later," he said.

Land

South Africa needed access to external loan funds, credit and development aid in addition to the country's own resources.

"If the Government were to shoulder sole responsibility for subsidies and land acquisition, it would cost the Exchequer R5 billion to R7 billion a year, increasing over five years.

"Given the competing priorities of education, health and fighting inflation, by reducing fiscal expenditure, it is difficult to see this being achievable," he said



It's bleak, but it's home . . . reforming the single-sex hostels is difficult, as hostel dwellers are fiercely protective of their inferior accommodation, says IDT chairman Jan Steyn.

Picture: Sean Woods

'Housing SA's No 1 priority'

Business Staff

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AUG 4/10/91

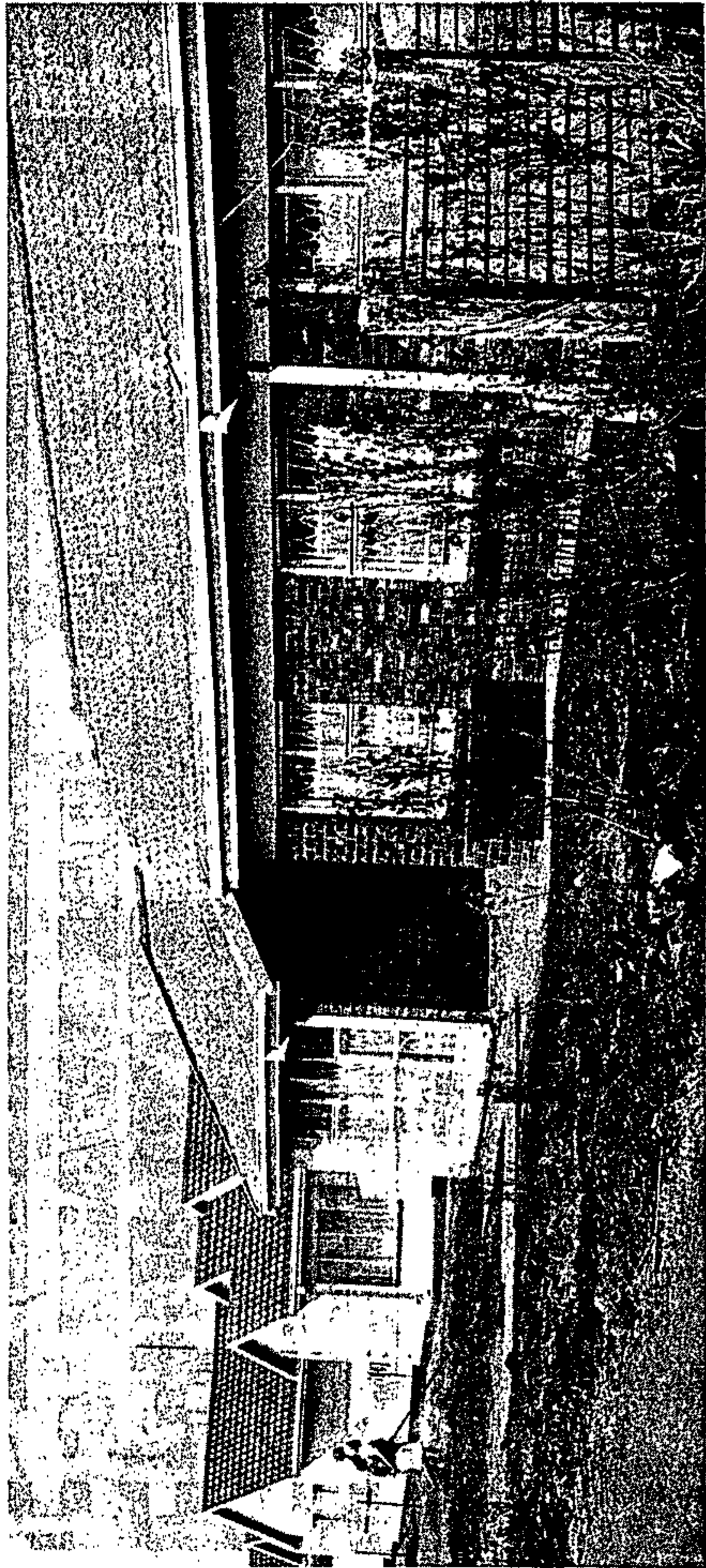
JOHANNESBURG. — AS housing is the No 1 priority for South Africa — the nub of so many social issues — all other policies, fiscal and otherwise should be subordinate to this key sector.

This is the view of Tony Leon, MP for Houghton, who spoke at a debate in Sandton yesterday on VAT and its implications for the housing industry organised by Gavin Hardy, executive director of the housing division of Murray & Roberts Construction.

While recognising VAT as a better tax collection system, Mr Leon said it was modelled on that of New Zealand's with its comparatively low rate.

"Unfortunately, with all her volatile circumstances, South Africa is not New Zealand and the lessons of this country were not taken into account in applying the new tax," he said.

The Houghton MP has no doubt that if housing had been zero rated in the tax system, there would still be "just as much antagonism towards it".



This is the type of house costing more than R35 000 which Dr Japie Jacobs, economic adviser to the Minister of Finance, says only 10 percent of blacks can afford.

Danger in housing plan, expert warns

'Most blacks cannot afford'

THE belief of many businessmen that the large-scale provision of housing for blacks could set the economy on a growth path has been challenged by a top economist.

Dr Japie Jacobs, special economic adviser to the Minister of Finance, told the Johannesburg branch of the Economics Society yesterday that heavy investment in black housing could in fact slow down the economic recovery.

"If we want to spend a greater share of our savings on housing we will have to spend less in other areas and particularly less on private consumption expenditure," he said.

Net savings available

for productive investment and the financing of socio-economic infrastructure were inadequate to finance a growth rate higher than 2.5 percent a year.

"This rate may be even lower if we opt to force a growing share of our resources into socio-economic projects."

His remarks follow a call last week by the Building Industries Federation for a R3 billion a year programme to build 200 000 houses annually for the next three years.

Jacobs contended that the failure to provide black houses was not the result of a shortage of money, but of the inability of blacks to afford housing.

He cited a number of

schemes, which provided finance for low-cost housing.

He said the Urban Foundation managed a home loan guarantee scheme for low-income homeowners earning less than R1 000 a month.

But in spite of all these facilities, little progress had been made on reducing the existing backlog.

Jacobs said there were a number of factors responsible for the so-called failure of the market to address these socio-economic needs.

They included the lack of adequate urban land, the rent and bond boycotts, the violence in black urban areas and the fact that most potential homeowners could not afford any form of conventional housing.

About 10 percent of urban blacks could afford a conventional house costing above R35 000 and hence had access to traditional mortgage finance.

A further 40 percent could afford starter homes priced between R12 500 and R35 000, while the remaining 50 percent could afford only basic homes.

He said there had been calls for financial institutions to be forced to invest between R5 billion a year in housing and for the State to give guarantees against the loss of this money.

Apart from the effects this would have on interest rates and Government budgets, Jacobs said he had serious reservations about whether it was fea-

sible to spend R5 billion a year on housing for lower-income households.

There was a danger that too large a share of SA's resources could be channelled into socio-economic upliftment to the detriment of sustainable economic growth supported by productive investment.

Sowetan Correspondent.

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31/10/91

Sowetan

'Conveyancing too dear'

Sowetan 31/10/91
SOUTH Africa should follow the United Kingdom's example and permit estate agents to do conveyance in house, thus cutting costs for the homeowner and forcing attorneys to offer their services competitively, said one estate agency head.

Group managing director of Camdon Mr Scott McRae pointed out that attorneys enjoy what he politely calls "a highly privileged position" protected by law.

Rates are set by the Law Society with no open competition.

McRae said: "It seems to me that this is an unacceptable

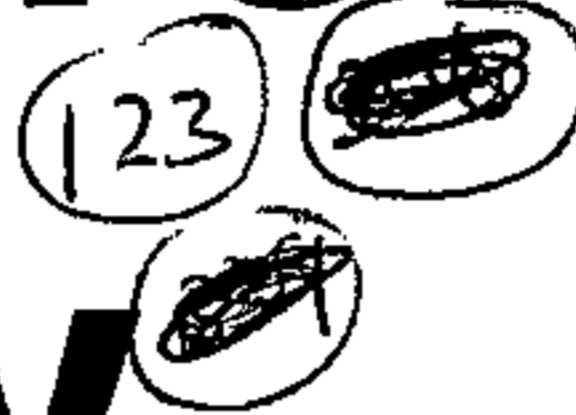
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Property Reporter

situation. Attorneys receive millions of rands every year for what is in reality a very basic function which takes no legal skills and can be handled by relatively junior staff.

"The UK has recognised this and has legalised conveyancing by estate agents. Inevitably this will lead to a drop in costs for the home buyer. Savings are solely needed at the moment in view of rising building costs, VAT, and higher transport costs due to the petrol price increase."

Homes of straw are a reality

Sowefem
31/10/91.



HOUSES built of straw are not limited to the realm of fairytales but could provide a practical solution to the housing crisis in South Africa.

A local innovator, Mr Len Bestle, has devised a way of using waste products such as sawdust, straw and maize stalks to produce strong, lightweight bricks and paneling.

Waste products are bonded with cement and compressed to form bricks, panels and even window frames. Waste found on site can be used and the process does not require skilled labour.

Pyrosil bricks and panels have been successfully tested and approved for thermal conductivity, fire resistance and compres-

By **JOSHUA RABOROKO**

sion strength by the CSIR and the SABS and have been entered in the Audi Innovators for Environment programme.

The pyrosil building system has already been used to build family homes in Mauritius. Three houses are packed into two containers and can be assembled in five days.

Existing buildings can be strengthened and insulated by painting and walls with a Pyrosil coating.

"Many homes in this country are insufficiently insulated and require excessive energy to heat them, leading to wasted resources and air pollution," he said.

THE executive director of the Building Industries Federation of South Africa, Mr Neil Fraser, has spelt out clearly what the housing programme would mean to the construction industry in South Africa.

This is likely to provoke serious discussion in Government and building circles.

He said this when he presented a detailed "reply" to the Nedcor/Old Mutual proposal for a housing orientated kick-start to the economy at the Bifsa's congress this week.

Solutions

One of the solutions proposed for the current recession by Nedcor/Old Mutual is that 200 000 low cost houses be built a year for three years - and that 400 000 plots be serviced and one million houses electrified annually for the same period.

Fraser based his analysis on a typical house of 42,25sq m. This would have two bedrooms, a living room/kitchen and a bathroom. The roof would be pitched and could be covered with a variety of

House plan would boost jobs

By JOSHUA RABOROKO

roof finishings, dependent on the ultimate cost level being targeted.

He said that while such a house was too sophisticated for the very income earners, it was within the affordable levels of many others and represented an average demand.

The analysis included a complete programme for the operation, based on

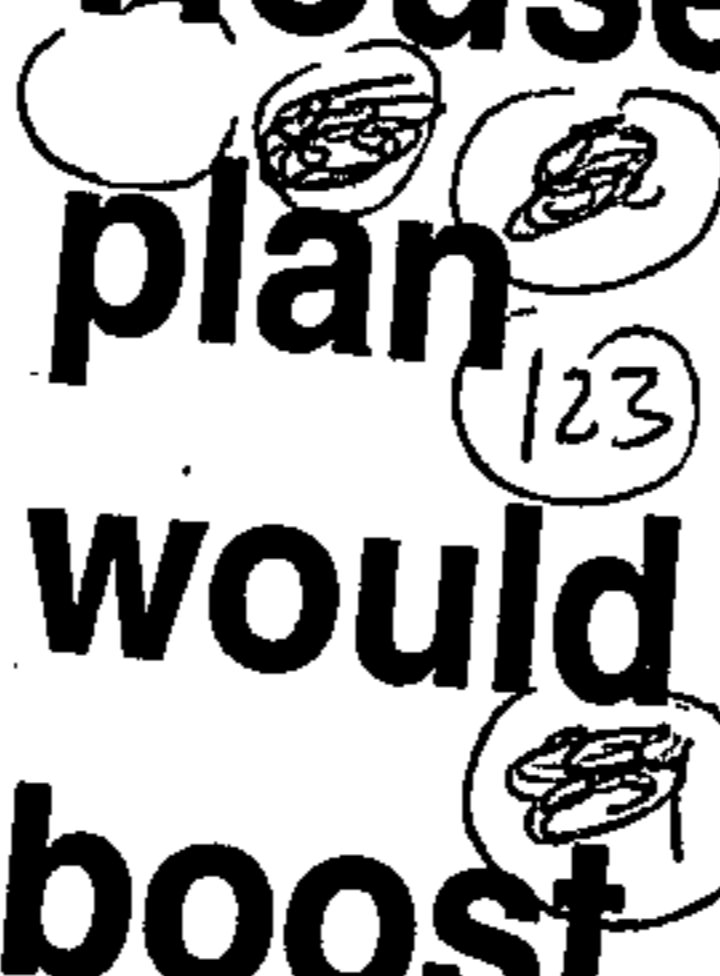
completing 80 houses country-wide each working hour. Bifsa have programmed the building of single houses at 18 days a house, exclusive of site clearing and electrical re-ticulation.

One of the most impressive aspects of the envisaged programme is the large number of people to whom it would give employment. The Bifsa analysis shows that some 55 000 people would be employed as supervisor, skilled operators, semi-skilled and unskilled workers to provide the services and civil engineering facilities.

Force

In addition, a total labour force of over 90 000 people, including 4 000 supervisors, would be employed on the building work. The majority of the workforce would be semi-skilled. At least 800 small companies could be established as a result of the programme.

He pointed out that the manufacturer of the materials required would provide many thousands of more jobs and promote small businesses.



Sowetan 31/10/91

Housing indaba

(123)
Sowetan 31/10/91.
THE Institute for Housing of Southern Africa is to hold an "Indaba 2 000" at Elangeni Hotel in Durban from November 4 to 6 on the future of housing provision in South Africa.

The meeting, whose theme is "Shelter for All", comes at a time when South Africa is poised either for a collapse or an ascent into the heights as far as the housing delivery system is concerned.

Chaos

Speakers at the conference include ANC national executive committee member, Mr Thozamile Botha, the Minister of Planning, Provincial and National Housing, Mr Leon Wessels, Dr Oscar Dhlomo, the chief executive officer of the Development bank of Southern Africa, Dr Simon Brand and Zimbabwe's representative of Physical Planning, Mr Jaya Appalraju.

IHSA's president, Mr A F Erasmus, said in the next 24 months housing provision would either degenerate into unthinkable chaos or it would reach unbelievable heights.

He said: "We need to see the deflation of the political football called housing, and see housing become a concerned action programme aimed at benefiting South Africa as a whole by benefiting the individual and the community."

~~ALUMNA HANDBOOK~~

HOUSING & HOSTELS - GENERAL

1991

NOV. — DEC.

Small and secure — that's what homebuyers look for

Star 2/11/91.

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MALCOLM FOTHERGILL

WHATEVER else is happening in the South African house market — estate agents say they've never seen anything like it — two things are clear: security rules, and few people have money to burn.

So, while big houses on big stands sit on the market for months, driving sellers' prices down in large chunks, the market for smaller, low-upkeep homes is ticking over pretty much as usual.

Flats, too, are in big demand, except at the very top of the price range, and for the same reasons — they demand minimal maintenance, and they're comparatively secure.

"People feel more secure living in a flat than in a house. It's as simple as that," says JH Isaacs Residential's Nathan Trackman.

What's not simple to explain is what's going on in the house market.

Robin Broide of Martin Charney Estates says the market boomed, greatly increasing house prices, in the late Seventies and early Eighties. Then it stagnated, with little stock and many buyers, in the mid-Eighties.

Now, however, she says, "it's not a question of people wanting to buy. There's apathy on both sides, and a sense of uncertainty. People don't want to stick their necks out."

Anne Rogers of Eskel Jawitz Real Estate says appearances are deceptive in today's market.

"It looks like there are an awful lot of houses for sale, but many of them have been on the market for much longer than they usually would be.

"For a long time now, some agents have been short of stock. To get the houses on their books, they overprice — which is music to the ears of sellers,



MARKET UNCERTAINTY: More "For Sale" notices are going up — and tending to stay up longer and longer.

but then the house either doesn't sell, or it sits on the market for months."

The present state of the market, says Ms Rogers, is worse than it was after the Soweto riots of 1976, because economic uncertainty has increased.

"The problem is the same in other countries. London is probably having a worse time than we are — there's still quite a lot of activity here.

Caution

"There are no real bargains around, but there is value. It's a good time for people to be buying, if they can afford it."

Ronald Ennik of Pam Golding Properties says the dominant thread in today's market is a lack of cash.

"Buyers don't have all their ducks in a row to invest. And those who do are cautious."

The oversupply of houses for sale in the R1 million-and-up bracket is unprecedented, he says.

At the lower end of his company's range, between R150 000

and R300 000, the market still seems buoyant, says Mr Ennik.

But the middle of the range, from R350 000 to R550 000, is erratic, showing no clear patterns. And the top is struggling.

Aida Real Estate's Joan Richter says real estate in Johannesburg, Cape Town and Durban "is not a buyers' market or a sellers' market — it's the most peculiar market".

Sellers' aspirations are high, but buyers are treading cautiously: "The quest is for security and for smaller homes on smaller plots that are easily maintainable.

"Basically, we're in the depths of a tremendous depression, and that's making it very difficult."

Despite the gloom at the top end of the market, and the large number of hard-luck tales, for instance of properties being offered for R750 000 and eventually selling for R350 000, there are people still smiling — those who invested in townhouses or small, easy-to-maintain properties in well built-up areas.

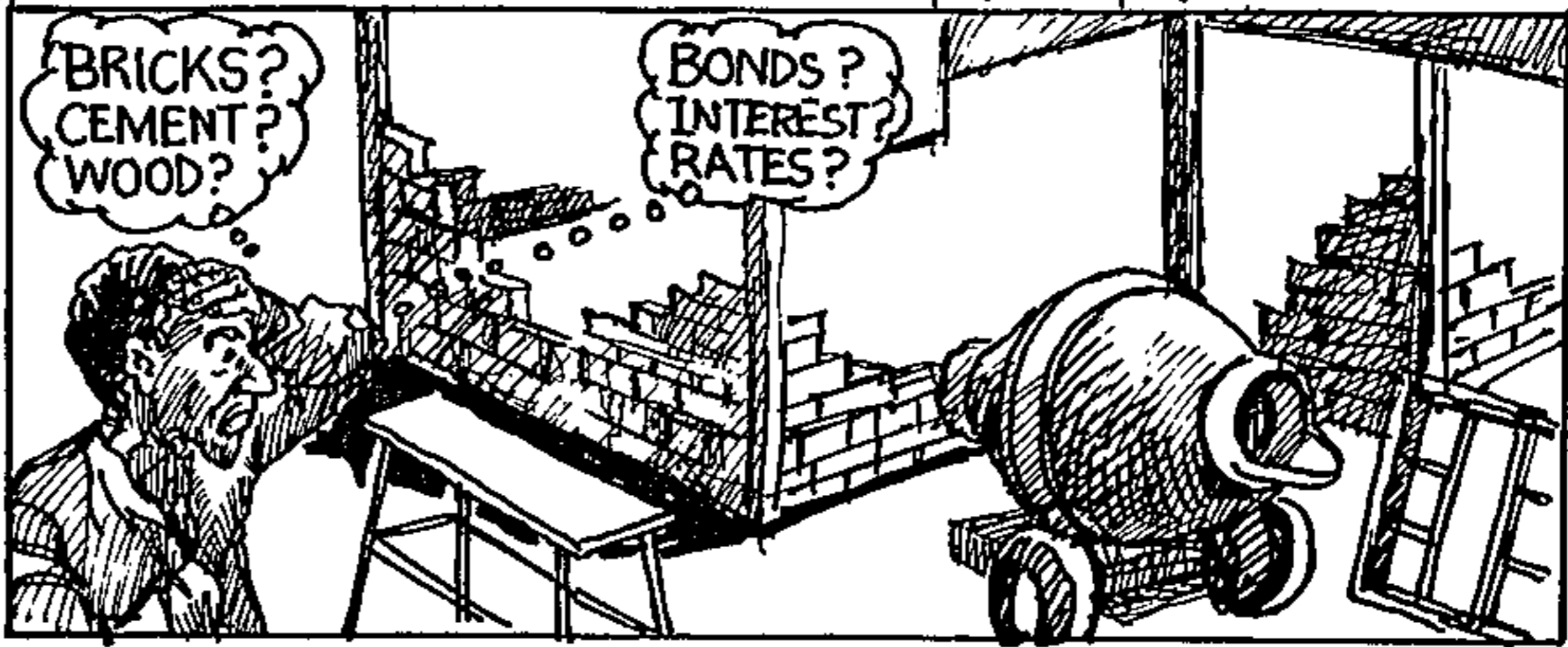
HOUSING 2

New Nation (Learning Nation)

1/11 - 7/11/91. (173)

Last week, we looked at the fact that the majority of the working class in South Africa do not have access to proper housing. We observed that workers' wages do not enable them to buy proper houses at market prices. From this, we drew the conclusion that capitalists are not likely to have any interest in building proper houses for the working class in the foreseeable future. We saw that the government too does not want to build houses for the working class. The result? - a huge housing shortage, estimated by the Urban Foundation to be 1,8 million.

This week we will look at what the state and the capitalists are doing about the housing crisis. We will also look at Cosatu's proposed solution to the housing crisis. Finally, we will raise some additional problems that will need to be tackled if the housing crisis is to be solved in a 'new' South Africa.



HOUSING FOR PROFIT

The capitalist building companies have been building houses in the townships. None of these houses cost under R35 000 and therefore they have only been sold to the better-off sections of the middle class. Loans and bonds for buying these houses have come from private banks and building societies. The capitalists have therefore been involved in township housing through

- bonds and loans given by the financial institutions and
- The provision of market-priced housing - built by the building companies on a pure profit basis. These initiatives have catered only for sections of the black middle class and have done nothing to solve the crisis faced by the working class.

SITE AND SERVICE

The state and the bosses are both very keen on and proud of the site and service approach. Yet all that this means is that a small number of working class families will end up with a tiny plot of land, some services such as running water and sewerage, but no house! So, we see that this much-applauded solution of the state and the bosses means that, in order to solve the housing crisis, the state and the bosses will build no houses! Workers will again build their own 'houses'; in other words, they will end up in shacks again.

COSATU'S SOLUTION TO THE HOUSING CRISIS

At its fourth congress in July this year, Cosatu adopted a (composite) resolution on land, housing and hostels. The resolution notes that the present housing crisis is the direct result of the apartheid capitalist system. It goes on to say that it is the state that has overall responsibility for the provision of housing, and spells out how this should be done.

The Cosatu resolution is weakened by its composite nature, that is, by trying to combine different affiliates' resolutions on the question. The result is that while the resolution clearly recognises that housing is the overall responsibility of the state, it still goes on to direct its demands at both the state and the bosses. Thus, the resolution is not clear on whose responsibility it is to solve the housing crisis.

For example, there is one clause which demands of both state and the bosses that they initiate housing programmes. Yet we have already seen that the bosses only build houses for profit.

At the same time, the resolution calls for the elimination of profiteering from housing. But if you eliminate profiteering, then there will be less and less reason for bosses to build houses. It is therefore clear that, on its own, this resolution won't help matters.

Another clause calls for the state to underwrite and/or subsidise any provident fund investments in low cost housing. But, if housing is a state responsibility, as Cosatu is calling for it to be, then there is no reason why workers' money should be used to build houses.

Yet another clause calls for measures 'to force financial institutions to make small loans available to all citizens'. Once again, if the state is building houses on a non-profit basis, than why should a person need to apply for a loan to get proper housing?

In spite of these criticisms, aspects of the Cosatu resolution can at least serve as a starting point for solving the housing crisis. This applies particularly to the following two clauses from the resolution, namely that:

- the land and housing markets be regulated to eliminate profiteering and speculation;
- the cost of building materials be substantially reduced either through subsidies, state control of this market and/or nationalisation of this sector.

These points both go to the heart of the housing crisis. The fact that housing is built for profit creates the huge housing shortage for a working class which cannot afford to buy houses. Secondly, monopoly control over the building materials industry makes housing particularly expensive, even for the state. So, it is only when the profit motive is taken away from the provision of housing, and the control of monopolies over the building materials industry is broken, that the housing crisis can be solved for the working class.

What do these things mean practically? The only way for profiteering and speculation to be removed from housing is for the state to take responsibility for housing. It would be pointless to make housing a state responsibility and then leave the building material monopolies in place. These would simply continue to make high profits, except that the money would now be paid by the state out of workers' taxes. Secondly, the cost of building materials would remain high and this would definitely limit how many and what quality houses the state could build.

So, not only must the provision of housing be made a state responsibility, but the building materials cartels must also be broken, with laws passed that regulate the price of building materials. It is with combined strategies of this nature that progress can be made in addressing the housing crisis.

STATE STRATEGY AROUND HOUSING

The state first involved itself in working class housing in the 1940s, when the manufacturing industry was growing rapidly. Throughout the 1950s and into the 1960s, many townships were built, to house a growing black 'labour force'. But, by 1968, the state had stopped building townships in 'white' South Africa and was building townships only in the 'homelands' - as part of an emerging 'homelands' strategy aimed at exploiting workers but getting rid of the 'evidence'. Since the 1980s, the state has been trying to get the capitalists to build houses in the urban townships, and to sell rented township houses to residents.

The present strategy of the state is a continuation of the policy started in the 1980s. Instead of actively trying to solve the housing crisis by building more houses for the working class, the state is in fact moving away from building any houses at all. It is leaving this entirely to building companies and private 'developers'.

This is not to say that the state now has nothing to do with housing. Its present strategy includes:

- selling existing township houses to residents at a discount.
- making land available for 'development' by building companies.
- providing infrastructures and services through the Regional Services Councils.
- giving direct subsidies to state employees and to first homeowners who buy houses costing less than R65 000.
- giving tax reductions to companies that have housing schemes.
- providing site and service where 'orderly' squatting has occurred.
- the involvement of the Development Bank, together with black local authorities, in housing - through the extension of credit at a reduced rate of interest for housing.
- the establishment of an Independent Development Trust (IDT) with R2 billion for 'development', including housing.

What is most obviously missing from this list is the actual building of houses.

Minister calls for a new housing policy

DURBAN — SA was in dire need of a uniform non-racial national housing policy, National Housing Minister Leon Wessels said yesterday.

Addressing a housing conference in Durban, Wessels said there was a housing shortage of about 1,2m units with a yearly demand for a further 175 000 houses.

He said the housing problem could be solved only by a partnership between government and the private sector. Government's role should primarily be "facilitative".

"The community must help us identify housing needs and the priorities of these needs," he said.

Wessels said people remained ultimately responsible for their own housing.

"It is not possible for the state to take the responsibility of supplying conventional houses to meet the need for low-cost housing."

He said unconventional solutions were required, such as "informal towns" where services could initially be supplied at an affordable level.

"The residents can erect basic shelter until they can obtain permanent jobs and develop the capacity to consolidate their housing position by saving, using their own initiative and labour."

Wessels said government had instructed the SA Housing Advisory Council to recommend a new housing policy which should ensure as many families as possible had access to at least a residential site, and that the private sector became more involved in providing low-cost houses.

SA was moving towards a housing policy based on affordability: "We can no longer deny a man a shelter merely because he cannot afford to buy or build a house which must comply with ludicrous and inappropriate standards."

An ANC speaker at the conference said the organisation was trying to establish a national housing and development negoti-

ating forum, and it had called on government to commit itself to discussion without preconditions.

ANC national executive committee member Thozamile Botha said the ANC believed government had to stop privatising state-owned land. Instead, this land should be transferred to a democratically controlled trust, or be held by the state until agreement was reached on land redistribution.

Botha said the ANC was still developing a housing policy, which would be guided by the Freedom Charter. The organisation might, however, adopt a housing policy based on mixed forms of tenure.

Botha said any housing delivery system would have to be guided by legislated standards. Apartheid housing policies had racially separated communities, and this had to be reversed by identifying land within inner cities for low-cost housing.

Money

Inkatha Freedom Party social research division head Errol Goetsch told the conference that Independent Development Trust money should go directly to poor families.

Goetsch said the state's alternative to directing money to the homeless did not address the problem because "the problem of quantity is being answered by the state with money for quality".

"If the choice is for everyone to have basic shelter, which can be upgraded individually over time, or for the few to have their home ownership kick-started with R7 500, then the IFP is on the side of the masses and the state is siding with the elite," he said.

The money that went furthest in providing houses was money in the hands of buyers.

"It must be emphasised that the best people to solve their own problems are the people themselves." — Sapa.

Universities fear cut in subsidies

UNIVERSITIES were having to "budget in the dark" because they would not know before the end of next month what subsidies they would get from government, Committee of University Principals chief director Jos Grobbelaar said yesterday.

He said universities feared that subsidies would be cut as drastically as they had been last year when the initial subsidy had been 3% lower in real terms. This had later been increased so that the subsidy was the same in nominal terms as the year before.

Grobbelaar said the National Education Department usually let universities know what subsidies they would be receiving by August or September.

The late announcement this year was a great inconvenience to universities because they had deadlines for informing students about fee increases.

TANIA LEVY

These now had to be calculated "in the dark".

Universities estimated budgets could fall short if they miscalculated subsidies. They would then have to cut back on the purchase of equipment or books and maintenance of buildings to make up shortages, Grobbelaar said.

A National Education spokesman said last week universities usually received indications on provisional allocations around September and on final allocations around December.

However, this had not yet happened because representations on provisional guideline amounts for education for 1992/1993 were still being considered by the Cabinet.

R7m battle

Negotiate on housing: ANC

THE ANC announced yesterday it is trying to establish a national housing and development negotiating forum.

ANC National Executive Committee member Mr Thozamile Botha, at a housing conference in Durban, called on the Government to commit itself to discussion on the matter without preconditions.

He did not supply further details on the proposed forum.

Botha said the ANC believed that the Government had to stop privatising State-owned land during the country's transition. Instead this land should be transferred to a democratically controlled land or housing trust or be held by the State until agreement was reached on a process of land redistribution.

123 (S) (S)

Land ownership
Sowetan 6/11/91

"It does not make sense for any Government to proclaim housing as a basic right while continuing to completely privatise delivery systems and land ownership," said Botha.

He explained that the ANC was still developing a housing policy, which is to be guided by the Freedom Charter. The organisation may adopt a "mixed housing delivery strategy", he said.

"This could mean public rented accommodation, private sector housing tenure, public/private sector housing tenures, or co-operative housing tenures," Botha said. "The security of tenure will depend on urban land ownership and State housing policy." - Sapa.



Own Correspondent

DURBAN. — A government minister has called for the scrapping of inappropriately high building standards in order to enable disadvantaged communities to buy and build affordable houses in SA.

The call was made by Mr Leon Wessels, Minister of Planning, Provincial Affairs and National Housing at the Institute for Housing of Southern Africa housing conference here yesterday.

He said the state could

no longer deny a man a shelter merely because he cannot afford to buy or build a house which had to comply with "ludicrous and inappropriate standards".

He said SA was in dire need of a uniform non-racial national housing policy.

Delivering a keynote address at the Institute

for Housing of Southern Africa "Housing Indaba 2000", Wessels said SA was experiencing a housing backlog of 1,2 million units escalating at 175 000 units per year.

Wessels said only 25 000 low-cost units were at present being built every year.

● The government must stop privatisation of all state-owned land

warned that the state would in future have to intervene on behalf of the low and middle income groups to ensure that land was not held for price speculation.

● SA is poised either for a collapse or an ascent into heights as far as the housing delivery system is concerned said the president of the Institute for Housing of

'Scrap high building standards'

123 ET 6/11/91

Southern Africa, Tony Erasmus, during the conference yesterday.

Erasmus said strings attached to overseas financing for housing would spell disaster for the government of the day. He said strings attached to funds involved a high standard of housing, and the amounts offered were a mere token because the bulk of

available aid was earmarked for Eastern Europe.

He said the result would be immediate housing at fairly high cost for a small portion of the backlog, and the needs of the masses would not be met.

Erasmus said other priorities to achieve the institute's goal of shelter for all by the year 2000 were the establishment of a single housing ministry in the country, and the development of innovative sources of finance.

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Making amends for illegal transactions

Southern 7/11/91

123

PROPERTY acquired in contravention of the Group Areas Act can be transferred without paying transfer duties, stamp duties or fees of office.

Individuals who acquired property in contravention of the Group Areas Act have the opportunity to take transfer of the property in question paying stamp or transfer duty or fees of office if application is made to the Registrar of Deeds before or on December 29, 1991.

According a property expert, Mr. Lawrence Kaplan, under Section 48 of the landmark legislation, the Abolition of Racially

By **JOSHUA RABOROKO**

Based Land Measures Act 1991, a transaction whereby a nominee owner acquired property for another person (the principal in violation of Section 40 of the group Areas Act is no longer deemed illegal or as constituting of offence.)

The new legislation makes provision for the principal to take transfer of the property without paying stamp or transfer duty or fees of office by submitting to the relevant registrar of deeds by December 27, 1991, a written request accompanied by the title deed and affidavits or

solemn affirmation by the nominee owner and the principal who is to become the registered owner of the property.

These documents must state that the individuals were party to an transaction, the exclusive object of which was to circumvate the Group Areas Act.

If a nominee owner refuses, omits or cannot be found to make such a statement, the principal can apply to court for an order authorising the transfer.

Transfer, which is by way of endorsement, is subject to certain provisions, such as that any mortgage bond over the property has to be disposed of before or upon application to the

Register of Deeds, and that the usual rate clearance must be lodged with each application.

Provisions of the legislation also apply in cases where a company or close corporation is nominee owner.

"This is a unique opportunity for individuals affected by the Group Areas Act to literally put their house in order, and to take advantage of a concession that could save a significant amount of money," Kaplan said.

"It is essential, however, to lodge the application with the Registrar of Deeds by December 27 1991, if the transaction is to be exempted from the relevant duties."

1,2-m houses needed: Govt

Sowetan 7/11/91

(123)



Builders putting up houses in the townships.

SOUTH Africa is in dire need of a non-racial national housing policy, Government Minister Mr Leon Wessels said yesterday.

Addressing a housing conference in Durban this week, Wessels - Minister of Planning, Provincial Affairs and National Housing - said there was a housing shortage of about 1,2 million units and a yearly demand of a further 175 000 houses.

He said the housing problem could only be addressed by a partnership between the Government and the private sector. The Government's role in addressing the problem should primarily be a "facilitative" one, he said.

"The Government's approach is to approach South Africa's problems pro-actively and constructively with the participation of all interested parties.

"The community must help us to identify the

(housing) needs and the priorities of these needs."

Wessels said a person remained ultimately responsible for his own housing.

"It is not possible for the State to take the responsibility of supplying conventional houses to meet the need for low-cost housing."

He said unconventional solutions were required such as "informal towns" where services could be supplied initially at an affordable level.

"The residents can

erect basic shelter until they can obtain permanent jobs and develop the capacity to consolidate their housing position by saving, using their own initiative and labour".

Wessels explained that the Government had instructed the South African Housing Advisory Council to recommend a new housing policy which would ensure that as many families as possible had access to at least a residential site, and that there was greater involvement by the private sector in providing low-

income housing.

He said the council had found that the present proliferation of institutions dealing with housing had a negative impact.

South Africa was moving toward a housing policy based on affordability, he said.

Said Wessels: "We can no longer deny a man a shelter merely because he cannot afford to buy or build a house which must comply with ludicrous and inappropriate standards." - SA Press Association.

(h) activities, including design and construction engineering, related to the construction, relocation, rearrangement, or start-up of facilities or

(c) the formulation and design of possible new or improved product or process alternatives; and

Slanging match at housing congress

Sowetan 4/11/91
DRY and didactic discussions at a Durban conference on housing in a new South Africa this week took a lighter turn when two presentations degenerated into a slanging match.

Amused though many delegates at the biennial congress of the Institute for Housing for Southern Africa were by Conservative Party leader Mr Carl Werth's reference to his party as a "burr on the Government's backside", they took exception to his lengthy political tirade which made no mention of housing.

"Doesn't the CP have a housing policy?" numerous delegates shouted.

Werth retorted: "What you should be discussing, rather than future housing for blacks, is your activities in a siege economy."

A red-faced Werth then flounced out of the hall, refusing to stay and participate in

Sowetan Correspondent

a question-and-answer session.

PAC housing sub-committee chairman Mr Lucas Sigea also found his speech ill-received.

"You've had it too easy for years... it's all wealth accumulated at the expense of the exploited masses... you could stand to lose your big cars and houses, let alone your businesses," Sigea said.

"Like hell we will, comrade - just try it and see what happens," one portly gentleman with an Afrikaans accent shouted angrily.

And Sigea's comments about lazy white farmers who wasted their land didn't go down too well either.

"At least they grow more than just mealies and dagga," one delegate muttered.

Give money to home buyers says Inkatha

Sowetan 7/11/91

123

MONEY for mass housing in South Africa should be placed directly in the hands of the buyers or future owners rather than developers.

Mr Errol Goetsch, the head of socio-economic research at the Inkatha Institute, said buyers would prove to be the most effective spenders of available resources.

In a practical and hard-hitting speech which won the most applause of the morning at the Institute for Housing for Southern Africa's biennial congress in Durban this week, Goetsch argued that the best

people to solve the mass housing problems in South Africa were those people who were directly affected - the buyers.

"The buyer will watch costs infinitely more carefully than will the developer, whose habits, contacts and standards were established in more comfortable times," Goetsch said.

"As far as possible, the buyer would substitute his or her own labour, contacts and materials for the more expensive professionals a developer would use.

"The buyer would build according to his or her own time, according to the esti-

mation of the needs of the family... money in the hands of developers means mass units, the hallmarks of apartheid, whereas money in the hands of the buyers and builders themselves means homes.

"It will also mean the mistakes which the building fraternity continue to make will end - repeating First World housing in a Third World context."

Goetsch said Independent Development Trust money, as should all national funding, should go directly to each family as the most efficient spenders of resources.

He said problems of tagging money, to ensure that it was spent for housing, were technical and could be solved.

He said problems of tagging the money, to ensure that it was spent for housing, were technical and could be solved.

State alternatives only created more problems because instead of concentrating on housing quantity, they offered housing quality - a First World approach.

"If the choice is for everyone to have basic shelter, which can be upgraded individually over time, or for quality housing for a few 100 000 people, then the IFP is on the side of the masses, and the State is siding with the elite," he said. - *Sowetan Correspondent.*

Cape Times

THURSDAY, NOVEMBER 7 1991

Housing realism ⁽¹²³⁾ CT 7/11/91

BUILDING standards in South Africa are indeed too high for our needs, as pointed out elsewhere in our columns yesterday by Housing Minister Leon Wessels.

At a time when a housing backlog of some 1,2-million units is escalating at 175 000 units a year the nation urgently needs roofs over peoples' heads, here and now, not tough regulations. Yet formal sub-economic housing developments, according to the minister, are providing only about 25 000 units a year. The gap between what can be built in terms of present standards and what the homeless can afford is the obvious problem, and it is one that ultimately prevails over regulations.

Sprawling squatter camps everywhere bear testimony to the non-enforceability of existing building regulations let alone zoning and town planning criteria. Yet there can be no doubt that the very existence of the regulations at the low cost end of the market is at least partially responsible for denying people shelter because they cannot afford approved materials, building methods or minimum space requirements.

Progress is being made in the provision of suitable urban land for self-help housing as indicated by the recent blueprint for squatter settlements in greater Cape Town. What is needed now is rapid provision of basic, essential facilities to these areas and the go-ahead for desperate people to erect shelters. Certainly there will be difficulties for many, but none so great as having nowhere to live at all.

Standards still have their place, of course, in more sophisticated housing where buyers may choose to pay for the security and practical value they entail. In the meantime, no favours are being done for the rest of the populace by measuring their needs against unattainable goals.

FM 8/11/91

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HOUSING FM 8/11/91

A time to reflect

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A further indication of poor trading conditions in low-cost housing is Time Housing's decision to cut operations by about 20%.

The company, which forms part of the Time property and insurance group, has announced its withdrawal from what it calls marginal areas — including Bloemfontein, Port Elizabeth, Witbank, Harrismith and Ladysmith — and consolidation in the main metropolitan areas of Cape Town, Durban and the PWV.

Operations in the Ciskei-Border area and Botswana are not affected by the rationalisation. The Botswana company has just concluded a deal to build 400 houses for the government at Kgale Hill south-west of Gaborone.

The cutbacks, which entail laying off about 40 people, will reduce overheads and turnover. Nevertheless, Time expects to have completed about 2 200 houses by the end of the year and hopes to build more homes in 1992 — though it doubts there will be any major improvement next year, looking back on the 4 500-odd dwellings built annually by Time Housing in the mid-Eighties.

Vibrant business

Time Holding financial director Neil Carter comments: "It is still a vibrant business though it is beset with problems such as bond finance and the reluctance by most institutions — with the exception of Saambou, First National Bank, Natal Building Society and the Standard Bank — to provide housing finance because of the problems of repossession and bond boycotts.

"We'll take it on the chin and hang in. Then we'll be there when the market picks up again."

Time Housing's activities extend from houses built through the Urban Foundation's loan guarantee scheme at the lower end, to lower-cost homes (R75 000 to R100 000) in traditionally white areas.

Carter is encouraged by Reserve Bank Governor Chris Stals' comment at the FM Investment Conference last week that the rate of inflation could fall to 12% by the end of next year. "That would imply a prime of about 16% to 17%. There's a good housing market at those interest rates but it is killed when they rise above 18% as they are now."

He adds that the rationalisation decision relates solely to reducing exposure and risk

in the housing market and denies any connection between the housing decision and tough trading conditions in the office property market where Time is also active through Time Properties.

Carter concedes that Time Properties owns headleases on two buildings with substantial vacancies — Lynton Hall, and Powerlines House in Braamfontein. However, he emphatically denies that either is a problem. "Both are roughly 50% vacant at present but we are on the point of signing a lease agreement on Lynton Hall. Though these headleases may be costing us a little at present the deficit will be wiped out by profits when the vacant space is let." So he is optimistic.

The other headlease owned by Time Properties is the Lohnro building in Girton Road, Parktown, Johannesburg, and Carter says this is fully let and Time makes a profit on the building.

"The commercial property division continues to trade very satisfactorily and should post record profits for the year," says Carter. ■

LOW COST HOUSING SEM

123 CT 8/11/91
**'Break out of
Areas thought'**

By AUDREY D'ANGELO
Business Editor

EMPLOYERS planning housing schemes for their workers must "break out of the strait jacket of Group Areas thinking" and build in areas convenient to live in, near amenities, says ANC executive member Basil Davidson.

And they should prepare the schemes in close consultation with the people who will benefit from them.

He told a seminar on low-cost housing organised by the Institute of Personnel Management and the Social Involvement Association, at the Hohenort Hotel yesterday, that the poor should not all be gathered together in huge housing estates on the outskirts of town.

Working class housing should be built in small pockets of about 15 or 20 houses in urban areas.

And infill sites in built-up areas should be used only for constructed housing.

To put self-help schemes in such areas, as was happening in Hout Bay, Milnerton and Kraaifontein, led to inter-racial conflict: "Shacks in a built-up area cause conflict."

Davidson stressed that the ANC had not yet formulated a policy towards employer-assisted housing. It was still in the process of being discussed.

Subsidies would have to form an integral part of any housing strategy. SA currently had one of the highest degrees of subsidised housing in the world. But it was mostly high income people, particularly in the public service, who were receiving it.

Davidson said it was a mistake to concentrate entirely on the provision of owner-occupied housing. There should be a mix of this and rented accommodation for people who did not want to be tied to one area.

SA's RELATIVELY small tax base and rapidly growing population make for difficult decisions over the proportion of the national income that should be directed to social welfare, and the distribution of this proportion to the various social services.

It will not be possible to meet all the claims upon the state for assistance. Many worthy causes will have to be refused financial assistance; others may have to have less than they would like to have. Some form of rationing is inevitable.

In particular, the state cannot afford to get involved in the housing market. Housing conditions in Russia were worse than in 1914. And today, the worst housing conditions in Western Europe are in states that became directly involved in building houses.

Britain is the classic case. Acres of dismal and depressing housing estates were succeeded by even more hideous acres of council flats. Barren and dehumanising, these stand witness to the folly of socialism and the evil that planners can do. Not only did they take money out of the market for their construction, but they now require further funds from the taxpayer for their demolition.

The persons responsible for this folly were very similar both to those in the ANC who now advocate an enlarged role for the state in the housing market, and to those white liberals who have emerged from the ranks of business and support them in this respect.

Insofar as the Urban Foundation has used state funds to build houses, it has been in danger of falling into this trap. Architects of the Nedbank-Perm scenario and JCI economist Ronnie Bethlehem, with their proposals for a huge state-subsidised housing programme, are similarly mistaken.

Although possibly on a grander scale, such programmes are in many ways similar to the philanthropic projects of many 19th-century charitable foundations. And they all failed to make any significant impact upon

Education, rather than housing, is top spending priority

B/Dmy 11/11/91

STUART JONES

the problem. Further, money going to house-building via the state may well be money taken from health and education.

Housing is a demand-side problem, not a supply-side problem, notwithstanding the past restrictions placed upon residential accommodation by NP governments. The supply can almost always be met, if it is left to the market. Witness the number of houses built in the former West Germany since 1945.

There are too many people with inadequate incomes to be able to afford to build, or rent, houses that meet traditional urban standards. It is foolish and irresponsible to pretend that persons without skills can hope to own a house. Subsidised loans are the most that can be reasonably expected, and even these are of questionable long-term benefit. The provision of below market cost loans in one place will push up the cost of loans elsewhere.

Helping people to pay for their own accommodation is the correct long term solution. In the short-term we are going to have to live with the growth of slums and squatters around all the major urban centres of the country. This would have happened earlier but for influx control. It has happened in every African country that does not have influx control laws.

The employment of the state's scarce resources should be directed to long-term goals. And these long-term goals should be focused upon helping people to increase their earning power. This immediately tells us that education and health should have priority. If bodies and minds are looked after adequately, the individual will then be in a position to look after himself. The housing problem will be solved on the demand side by the market, and the efficiency of resource allocation and utilisation improved.

All subsidies that interfere with the working of the market inflict long-term damage upon the economy in return for short-term benefits. The provision of housing subsidies is one of the most deadly of these. It is harmful to wages and harmful to the taxpayer. The direct provision of housing is even more deadly, because of the type of mentality it encourages, both in the occupants of state-owned housing and in the bureaucrats who allocate them. The new SA will have to pay interest on the national debt, already very large as a result of more than a decade of fiscal irresponsibility on

the part of Pretoria.

It will have to pay for the basic services required of all governments: the army, the police, the administration of justice, the collection of taxes and so on.

Money will be required for infrastructure: the provision of roads, water, sanitation and electricity. State corporations such as the railways and the Post Office are likely to require subsidising into the foreseeable future. Only after all these claims have been met will the state be able to turn its attention to social services.

Education should come first, with special attention being given to secondary education. This is the area that is crucial to the economy and which is now in the biggest mess.

Given the extent of the population explosion it will not be possible to provide all people between the ages of 12 and 18 with secondary education. Already the burden of unequal education is placing great strains on the economy - proportionately we spend three times more than does Australia. This is going to increase still further, but not sufficiently to provide free secondary education for all. Some form of rationing is inevitable.

Rationing requires some form of selection. This may be examination, as with the eleven plus in England,

by price as in 19th-century and modern India, or by bureaucratic fiat as in many of the communist states. None are ideal. Rationing by price with scholarships for the poor is probably the best, and it is time the politicians recognised this and stopped pussyfooting around giving the impression that everyone will be catered for.

It is also very important that the growth of secondary and tertiary education does not proceed at a faster pace than the growth of the economy. Building up expectations, without providing jobs for the school and college leavers, is not only immoral; it is downright stupid. India has been doing this for decades in Bengal and thereby created its most ungovernable province. Zimbabwe is already following along the same lines.

Closer to home, the University of the Witwatersrand is also accepting too many students who are unlikely to graduate, particularly in the arts faculty, which has such flexible admission requirements.

The main conclusions to be drawn from this analysis are that, in an underdeveloped economy, wealth creation is more important than wealth distribution. It is vital. And wealth creation should be the function of the market, not of the government. In the various demands upon the scarce resources, preference should be given to those social services that will lead to wealth creation and an increase in individuals' earning potential. Housing does not fall within this category - as directing money in that direction is in effect treating the symptoms rather than the disease.

The East Asian tigers South Korea, Taiwan and even Japan learned this lesson early and placed their money in those areas where its investment would be likely to lead to productivity growth. We should learn from them and not from the socialist planners who have left such a blight upon the landscape of England and Russia.

□ Jones is a senior lecturer in economic history at Wits University.

CDC to fund SA townships

ET 11/11/91 Own Correspondent (123)

LONDON. — Township and rural development projects in South Africa could soon receive a fillip of fresh capital from an entirely new source — British Commonwealth Development Corporation (CDC) low-interest loans.

A four-man CDC mission arrived in SA yesterday for an eight-day visit, during which they will assess what role they can play in promoting development in the new, non-racial SA.

Headed by its deputy chief executive, Alistair Boyd, the group will meet key individuals and organisations at the coal-face of development promotion in SA.

Their visit follows the watershed meeting a few months ago between the Independent Development Trust (IDT), the Kagiso Trust and the Development Bank of Southern Africa (DBSA) at the European Commission headquarters in Brussels.

That meeting marked the start of a new era in which the various development agencies in South Africa will seek increasingly to rationalise their operations in order to make them more effective, following the unbanning of political organisations like the ANC.

Derek Lewis, a spokesman for the CDC, said the delegation would be updated on the EC role when they meet its representative in Pretoria.

They will also be meeting the Deputy Minister of Finance, Mr Theo Alant; the leader of the Democratic Party, Dr Zach de Beer; the Urban Foundation; the Get Ahead Foundation; Dr F van Zyl Slab-

bert; the IDT; the Kagiso Trust, the Small Business Development Corporation; the Soweto Civic Association; the DBSA; the Reserve Bank; the South African Housing Trust; and the Rural Advice Centre.

The CDC, which initially focused only on Commonwealth states but now invests in a total of 69 mainly developing countries, gets money from the British treasury at a low rate to provide low-interest loans for the starting of new developments, or to take equity in existing companies.

In 1990, the CDC invested £145m in 97 new projects in 32 countries, 65% of which was in the private sector.

The CDC currently has nearly £500m invested in sub-Saharan African in projects ranging from agriculture to electricity generation and from low-income rental housing to telecommunications.

Lewis said the amount that could be invested in South Africa would depend on suggestions made by the people they meet.

On their return to the UK, a programme of probable projects will be submitted to the Department of Overseas Development Aid, which has to empower them to go ahead with investments.

He said loans usually ranged from £0.5m to £10m for big operations. In some companies the CDC had a large slice of the equity, while in others it was just 25% or 30%.

He said one possible option, which has already been successfully implemented in places like Botswana and Thailand, is the setting up of small development boards with say £0.5m in capital, from which loans could be obtained for the launching of small businesses in the townships.

No transfer duties on new homes

TAX authorities yesterday confirmed that transfer duties would not be payable on the purchase of new homes currently subject to lower VAT rates. (123) ~~320~~

According to amendments published in the Government Gazette, homes completed between September 30 — when VAT was introduced — and December 31 will be subject to 3% VAT when they are sold, provided the transaction is concluded between August 22 and December 31.

The sale of new homes concluded before March 31 next year will be subject to 6% VAT: 8/10/91 13/11/91

When Finance Minister Barend du Plessis proposed these lower VAT rates in August, he said transfer duties would have to be reintroduced on transactions subject

LESLEY LAMBERT

to the lower VAT rates.

However, there has been no legal amendment in the gazette to enforce the proposed reintroduction of transfer duties on new home sales. Deloitte Pim Goldby consultant Eugene Strydom said yesterday he had received confirmation of this from the Inland Revenue Department.

After March 31, the VAT rate applicable to new house sales is likely to be 10%.

At the 10% rate, neither residential nor commercial property sales are subject to transfer duties. But private house sales, which are not subject to VAT, will remain subject to transfer duties of 1% on the first R30 000 and 3% on the balance of the value of the transaction.

PROPE

Homeless pose a problem for SA

B/pcy 13/11/91

Reports by PETER GALLI

IT WOULD be unrealistic to look forward to a stable and peaceful new SA in an environment of widespread homelessness, Institute for Multi-Party Democracy executive chairman Oscar Dhlomo said at the national congress of the SA Institute for Housing in Durban recently.

"The future SA will be required to facilitate and promote — not hinder — people's access to education, health care and housing. No post-apartheid government that remained quiet or was indifferent about these issues, would win a future election," he said.

The principle of wealth-creation advocated by the free enterprise system normally started with the ability of citizens to own property.

"It is therefore true to argue that if the policy of the future government is the economic empowerment of the deprived masses, then wealth creation through property ownership will have to be part of that policy," he said.

The future government needed to look carefully at ways of making more land readily available for housing and the bureaucratic red tape, accompanied by sheer inefficiency in some cases, characterising

the entire process of acquiring and developing land for housing, needed to be done away with, he said.

Speaking at the same conference, SA Development Bank and SA Housing Trust chairman Simon Brand said private sector institutions had yet to adjust on the financial and construction sides to the changing pattern and demand in SA housing.

"After some tentative financial sallies into the lower to middle income market, there had been almost a complete withdrawal. In a new SA, considerable further adjustment will be required in national housing policy, and it will be desirable to have the widest possible support."

It was clear that the housing standards set in the past for a limited section of the population under artificial policy conditions were not sustainable under the new policy and market conditions.

"Given the extended scope of national housing objectives, important adjustments in housing technology and design will be required, in addition to adjustments in the financial and construction sectors if the housing needs and demands of the new SA are to be adequately met," Brand said.





PROPERTY

New look needed at capital subsidy scheme

THE proposed capital subsidy scheme in SA should be re-evaluated in the light of international experience as subsidy design is crucial to achieving national housing goals, Murray & Roberts Construction executive director of housing Gavin Hardy says.

The principle of capital subsidies is unacceptable as scarce state resources cannot be maximally geared in this way. Unless accompanied by equity from the participant, capital subsidies are inherently socialistic, unsustainable and therefore discriminatory, he says.

"The De Loor inquiry into housing will most likely recommend a capital subsidy unless alternatives present themselves," Hardy says.

Endorsing some of the key findings on housing subsidies of the May 1991 World Bank Reconnaissance Mission, Hardy says the repeal of legislation and regulation and the freeing up of land and financial markets are not enough to undo the distortion of apartheid.

It would require what was referred to by the World Bank as "aggressive strategies to achieve satisfaction levels of integration".

"In this regard, Murray & Roberts' views converge with the World Bank's reservations about current proposals to kick-start the economy through massive

subsidisation of the housing industry," Hardy says.

A workable alternative is to encourage private sector financial institutions to provide mortgage financing to well-located housing for the upper end of the black market and to foster broad participation in collateralised funds for lending to the mass market; he adds.

"M & R urges that the proposed capital subsidy scheme be re-evaluated and that state assistance for the severely disadvantaged be explored as well as the provision of an interest subsidy on a total mortgage package up to R75 000."

Ampros's Finance House Building 60% let

ANGLO American Property Services (Ampros) Finance House Building in the Bruma Lake Office Park — officially opened last week — is about 60% let and designed for tenants providing financial and related services, Ampros Bruma leasing executive Stan Davies says.

The office block accommodates tenants such as First National Bank, Standard Bank, Nedbank and the Perm, as well as

travel agencies and airlines.

"They are serving the surrounding office buildings and shoppers and tenants from Fisherman's Village across the lake," he adds.

Due to an editing error, Business Day reported last week that the Bruma Lake Office Park was being developed by Old Mutual Properties. The building is being developed exclusively by Ampros.

For all your Industrial and Commercial Properties

PROPERTY

Sound guidance needed for potential property owners

Reports by
PETER GALLI

THE low level of exposure to property ownership of the majority of consumers has created a large gap in the knowledge of the benefits and obligation of property ownership, which seriously needs to be addressed, says SA Housing Trust corporate communications head Mike Fowlds.

"There is a direct correlation between the willingness of the individual to accept his financial and other commitments and his understanding of all aspects pertaining to property ownership," he says.

Research conducted by the trust among low-income homeowners who had fallen into arrears with their bond repayments showed a lack of knowledge about and the understanding of the housing delivery process and their ownership obligations, he says.

The need for an information programme and controlling forum is quite obvious, particularly if estimates that SA will have

a backlog of about 1.8-million new houses by 2000 are taken into account, Fowlds says.

"Of this, probably more than 90% have previously not been subject to the regular financial discipline of monthly bond repayments.

"A significant number of the 1.8-million new entrants into the housing market need information relating to housing to ensure their long-term enjoyment of secure accommodation and orderly community development," he adds.

Sound guidance in property ownership holds some clear advantages for many people and organisations involved in attempting to solve the SA housing crisis. This will lead to more trust in and acceptance of products and services.

Financial institutions have long cited the need for their clients to be guided in their decision to obtain property, which

will greatly reduce its long-term risks, he says.

"Employers can also benefit from increased productivity levels and greater stability from a workforce that is housed according to its needs and understand their responsibilities as homeowners."

A careful guidance process will contribute to a secondary market in affordable homes. This, in turn, will not only have a positive influence on property values, but also create an environment where property owners will experience the real benefits of home ownership.

"A well-informed property owner will enhance community stability in SA and future economic growth," he says.

The establishment of a controlling forum and its activities needs to be approved by representative structures operating within the community. Such a forum cannot dictate and must consult on a widespread basis, with its approval by the community it hopes to serve mandatory to give it establishment and acceptance.

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Low-cost housing: the real challenge

Star 13/11/91 123

As every schoolboy ought to know, low-cost housing is an urgent South African priority.

And that is almost to understate the case.

The huge housing problem, however, is being tackled by the public and private sectors, the latter taking an active part in the design, development and construction of low-cost housing aimed at the urban areas and, to a lesser extent, the rural market.

The challenge lies not only in the building of economical housing, but also in the provision of affordable electrification, lighting fixtures and plumbing for low-cost housing.

Commitment

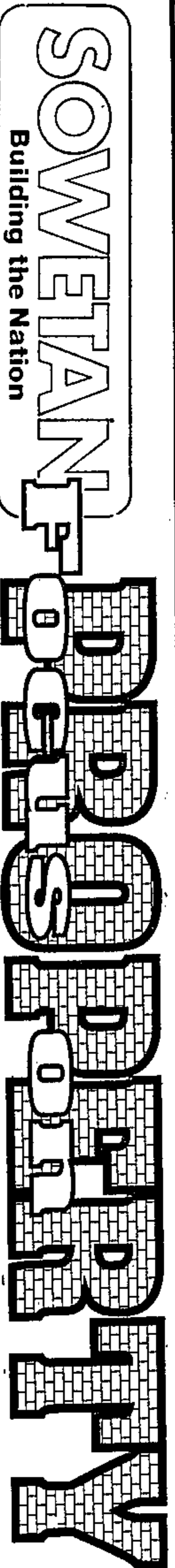
East London-based light fitting manufacturer, Datco, as part of their continuing commitment to the orderly development of a new South Africa, has developed a range of low-priced vandal-resistant bulk-head fittings, decorative bulkheads and floodlights.

To meet the need for easy-to-maintain, functional products, these are weatherproof and can be used indoors or outside, giving useful interior illumination and exterior safety and security.

All Datco products are engineered to accommodate low wattage fluorescent tubes and, in the case of floodlights, energy-saving mercury vapour and high pressure sodium lamps, as well as proven tungsten halogen tubes.

Absolute

Cyril Berman, Datco marketing manager, says: "Our commitment to the future of South Africa is absolute and next year we'll be introducing yet more products to assist the less privileged to realise some of their aspirations, in keeping with government policy to provide affordable electricity for everyone."



Cheap bricks for low-cost housing

SEEMINGLY South Africa has seven million insufficiently housed black people with four million squatters on the Witwatersrand and in the vicinity of Durban alone.

For these people to be properly housed, the country will need to build 1,9 millions homes - right now and not later.

But the main actors in the building scenario - the Urban Foundation, the South African Housing Trust and the Independent Development Trust - have only touched the tip of the iceberg by building slightly more than 13 000 homes.

Judging at that rate it will take 138 years to clear the critical housing shortage that has caused disease and violence in the so-called changing South Africa.

As aptly put by one observer: "South Africa is tackling the legal institutions, financial and land ownership issues - all prerequisites in meeting affordable homes."

The situation is becoming catastrophic. However, a former financier and now a low cost-housing entrepreneur, Mr David Hebstern, says the situation is not disastrous - it is challenging.

He believes the country can do it - given the will. It certainly has the technology. But he does acknowledge that the picture is bleak.

"While I appreciate that building homes will gain momentum only when land is available, we could be moving much faster with the actual building of homes," he said.

Tens of thousands of people already have land but they cannot afford to build because prices have gone



through the roof. Finding ways to make cheap, but durable, bricks is therefore absolutely essential.

The tragedy is that they are available but people do not know it.

Hebstern is determined to provide a solution to the housing shortage. He has developed a new brick machine - a boon for squatters. He put all his capital into developing a machine that makes high-quality bricks.

The cost of the bricks needed for one house is around R450, he explains, saying that is five times cheaper than normal. With unskilled workers, it is possible to turn out enough for two houses a day.

What is good about the machine is the fact that it can be towed - and it makes bricks on the spot by using sub-soil dug from the house's own foundation.

The bricks are six times bigger than the conventional housebrick; it takes 700 to build a 34sq m house.

He believes that the squatter community could be helped to buy these machines and also create employment for many. He has suggested this notion to many companies and a few have responded.

He was unable to hide his irritation when talking of the disparity between what squatters are expected to pay for bricks and what they "really need to pay".

A tiny four-roomed core house - one that can easily be added to - would cost only R2 500, he adds.

He was perturbed about the national debate aimed at developing strategies for dealing with the housing problem.

"A more positive and vigorous approach has to be taken soon, otherwise the next century would see us still faced with a huge problem," he said.

Property market set for recovery

Sowetan 14/11/91

THE property market is poised for an economic boom which can mean or even precede that of the overall economic recovery, according to experts in the market.

They say adverse political and economic factors are still bringing strong influence to bear on buyer confidence.

Camdon's group MD Mr Scott MacRae says: "Nonetheless the fundamentals for an upturn are in place.

"The economy has bottomed out, there is pent-up demand for all types of housing, inflation continues to bring "buy now" pressure to bear and the governor of the Reserve bank, Dr Chris Stals, has indicated the need to kick-start the economy.

Upheaval

"Negative influences are the continued high bond rates, the erosion of buying power because of inflation and political upheaval," MacRae says.

He adds: "Without doubt the biggest disincentive for property investment right now is the high bond rates. We have seen worse. In 1985/86, they were touching 23 percent."

If the situation is interpreted in terms of recent Government statements however, there is a possibility that rates will be lowered next year.

He says: "There is even some indication that the battle against inflation is beginning to bear fruit, although the moot question

By JOSHUA RABOROKO

is whether this has not been at the expense of severe damage to the economy."

The average homeowner is already severely pressed merely to keep up with his existing bond repayments and any relaxation of interest rates would go a long way towards improving his lot - and provide a psychological boost at the same time.

Those who were encouraged to take on bonds at 13 percent have seen their bond repayments vir-

tually double, placing an enormous strain on household budgets.

The results are a creeping incidence of repossessions - figures indicate this is still not a major factor but the institutions should be aware that they cannot indefinitely increase rates and expect the market to simply absorb them.

On balance however, barring major political or economic catastrophe, industrialists would expect the positive influences winning through in 1992. The stage is therefore set for a recovery of the market.

New call to builders to be realistic

By JOSHUA RABOROKO

A NUMBER of developers have "responded positively" to a call for more realistically priced property projects.

The response is timely in that the cluster homes and sectional title market has become more discerning and overpriced developments are not selling.

Overpriced

Developers are faced with overpriced land for such projects and sellers of land must now also be more realistic.

A projects manager for a leading firm of developers, Mr Jonathan Watchman, says two of

the main elements of a cluster project - the developer's profit and building costs - leave very little room for manoeuvre.

If, in addition, land costs are at a premium, the overall project becomes simply overpriced in terms of current market acceptability.

"There is still tremendous demand for cluster homes for reasons of their security, aesthetics and financial practicalities of owning the land on a freehold basis," he says.



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Growth: Mass housing plan no solution

(123) CT 14/11/91

Business Editor

A MASS housing programme to kick-start the economy will not produce sustainable growth, in the opinion of Colin McCarthy, professor of economics at Stellenbosch University.

He told a National Clothing Federation seminar at the Dock Road Cafe, Cape Town, yesterday: "Economies are complicated and delicate structures which are not susceptible to quick fixes.

"Kickstarting the economy through housing construction, for example, may have a first round positive effect on economic growth and employment creation.

"But the second round effects are bound to produce supply-side bottlenecks and balance of payments restrictions that could put an end to hopes for sustainable growth."

Pointing out that it takes a long time to restore an ailing company

to health McCarthy said it was even more difficult to "restructure a whole economy to health and vitality.

"In SA this raises a serious problem. Our economic restructuring will take place during a major political change towards a non-racial democracy."

This change would be made more difficult by instability caused by growing unemployment and falling standards of living.

The solution, McCarthy suggested, was export processing units allowing individual firms to operate under free trade circumstances.

"I know that leakages into the domestic market, and consequently the question of control, is very important and might be a problem. But I firmly believe that it is a route worth following in order to build up an export production capacity within the manufacturing sector."

Eskom brightens up Elandskraal

By Ferial Haffajee

PROOF, if proof were needed, that progress and electricity go hand in hand, is the dramatic change that electrification has brought to the community of Elandskraal near Pretoria.

Business has boomed and the standard of living of almost all its residents has improved.

After successful negotiations between Eskom and the South African Development Trust Corporation (SADT) the area was electrified by December 1989 in a

record two months.

The SADT established a number of small businesses at the community's request. Among the them were a dairy, motor spares shop, butchery, hair salon, cinema, herbal shop, pharmacy and hardware store.

A recent survey "revealed dramatic increases in the monthly turnover of these businesses, ranging from 38 to 100 percent in the first year of electrification", reports Eskom.

Additional ripple effects of electrification included the use of local labour for building projects and an increased demand for electrical appliances.

Out of a sample of 149 customers for such goods from shops in the area, almost a third more had bought television sets, 64 percent more had bought hi-fi sets, and almost 50 percent of people had bought stoves for the first time.

Energy expenses also plummeted.

"High-income earners who were paying an average of R291 a month for gas, paraffin and coal are now paying in the region of R68 a month for electricity, while low-income earn-

ers have decreased their expenditure by more than a R100 to R48 a month," according to Eskom.

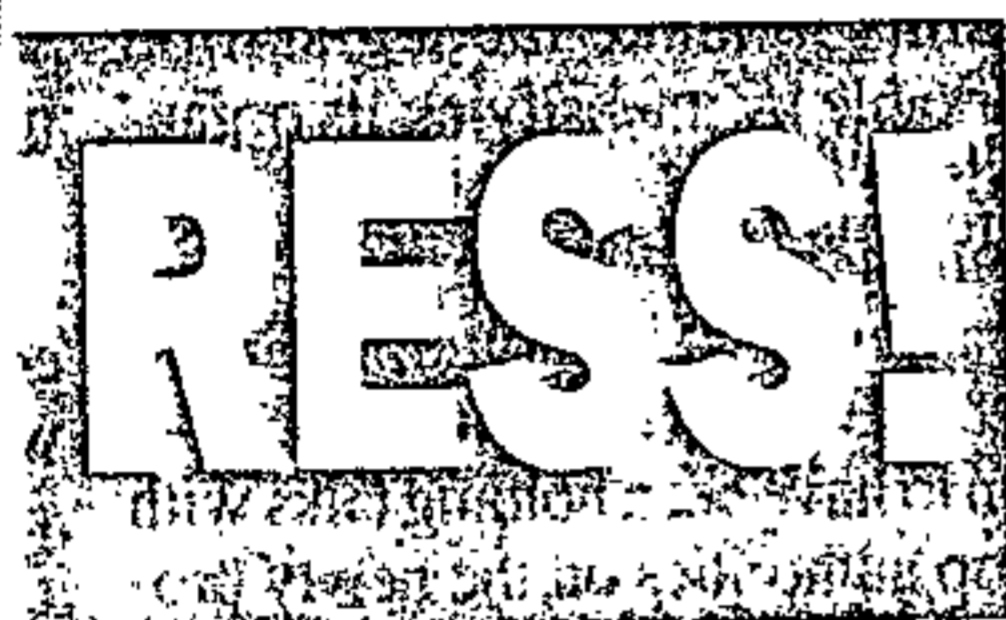
Eskom adds: "The project can serve as a role model for the development of both urban and rural underdeveloped towns where residents are empowered to participate in the identification, decision-making and planning of development priorities."

Elandskraal is a fine example of the development potential of electricity in South Africa. It is also a rare example. Twenty million people still don't know the luxury of hot water, of reading under an electric light or of electric heating.

According to Eskom, there are 208 townships in South Africa where 70 percent or more of the households are without electricity.

Of 259 townships recently surveyed, only nine had been fully electrified.

In the Cape Province, 68 out of 89 townships had less than 10 percent electrification, while in Natal the figure was 15 out of 20 townships and in the Transvaal, 63 out of 70 townships.



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B/pang 15/11/91

Drive to electrify SA

A TRADE union-led campaign for widespread electrification of SA homes will be launched under the slogan "Viva Voltage!" on November 23, Ben Petersen, of the Metal and Electrical Workers Union of SA, announced yesterday.

The campaign was aimed at uniting grassroots groups around the demand of electricity for all and at creating community groups to press government and Eskom into providing electricity.

By TERRY BETTY

THE property bubble has burst in the Cape where the price of up-market houses plummeted by about 25% in real terms in the year to March 1991.

Property economist Erwin Rode says the latest available figures show nominal prices of upper-income houses in the Cape fell by 10,7%. House prices in the middle and lower category rose by 32,5% and 31,9% respectively.

Mr Rode says a correction is taking place in Cape property prices. Prices have been overheated since 1988 when they diverged from the national fundamental growth line.

At one stage in 1989 the nominal growth rate was 50% and the national 35%.

Mr Rode attributes this to the Cape being a favoured area for foreigners. The properties were bought for speculative reasons, the Cape being considered by many to be a haven from unrest.

Worst

Mr Rode believes the Cape economy fared better than the rest of SA in the late 1980s because it is a tertiary, white-collar-based economy. It does not rely, for example, on mining that has been severely hit by the recession.

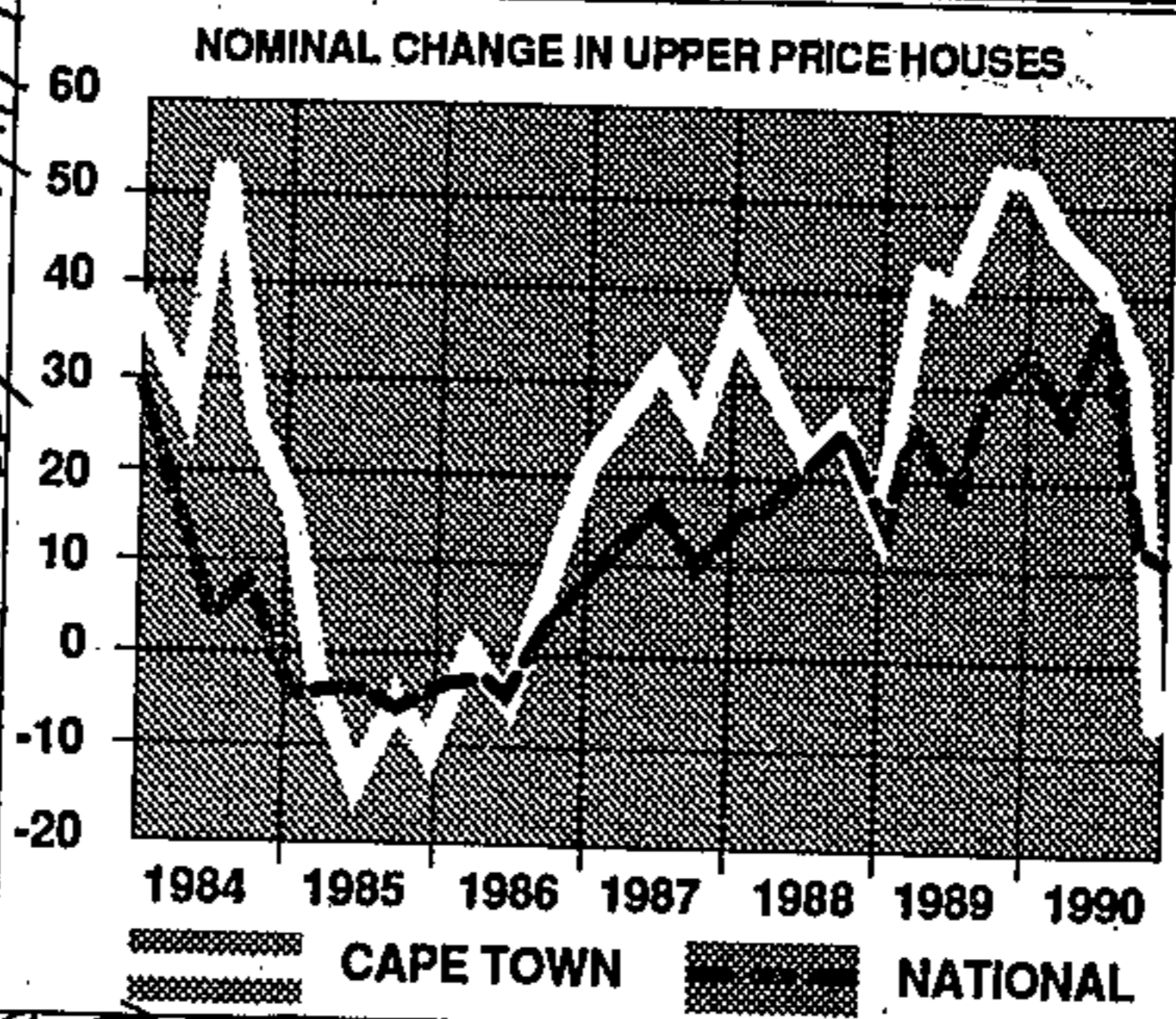
The drop is not predicted to continue much further. Mr Rode believes national house prices will accelerate in the middle of next year, but this depends on the economy.

On a national level, general house-price increases ran slightly above the inflation rate at 15,7%. Upper-class houses fared worst with nominal growth of only 11,0%. Middle- and lower-class houses increased in value by nominal rates of 17,6% and 19,8% respectively.

Durban showed the highest overall growth rate of 23%. Port Elizabeth had a growth rate of 22,7%.

Cape property bubble bursts

RODE PRICE INDEX: CAPE TOWN VS NATIONAL



In Pretoria medium-range house prices showed a nominal growth of only 3,7%. Mr Rode suggests inflation is eating away at public servants' pay packages.

His overall interpretation of house-price performances is that more affluent sectors of society have begun to suffer from the recession. This is not yet reflected in the lower price brackets because company profits are more volatile than salaries.

Mr Rode expects the effect to filter down to medium- and lower-priced houses, resulting in a lower growth rate for the next year.

On the other hand, the building industry is showing signs of bottoming out of the recession, says Mr Rode. Non-residential building activity is above normal and contract prices have started to accelerate again.

With input costs being slightly down because of VAT, building contractors' profit margins are no longer under pressure.

Building starts for housing and non-residential building sectors show the trough was reached in December 1990 and January 1991. Since then both sectors have shown remarkable growth, says Mr Rode.

S Times (BUS) 17/11/91

(123)

Millions to clean up SA

STIMES (BSS) 17/11/91
RATEPAYERS could be faced with a huge increase in payments if South Africa brings its refuse removal in line with international standards.

Waste-tech chairman Geoff Woods says it costs local authorities between R10 and R20 a ton to remove domestic garbage. The cost is as high as \$200 (R560) a ton in the US.

Mr Woods attributes the difference to SA's landfill sites and waste removal techniques being sub-standard.

They cannot handle the present waste stream, let alone the additional volumes being caused by population growth and urbanisation.

SA handles about 48-million tons of garbage a year.

By TERRY BETTY

Mr Woods says 90% of SA's official dumping sites pose serious health and pollution problems. The sites pollute the underground water table with "leachates" which can be 200 times more toxic than raw sewage, says Mr Woods.

Money

Leachates are toxic substances in such things as paint, pesticides and phenols in paper.

The Environmental Conservation Act, which has been in force for two years, requires dumps to be licensed

and run according to strict requirements.

Mr Wood says few sites are licensed and most of the regulations are ignored. Municipalities do not have the expertise or money to handle the problem.

The Department of Environmental Affairs lacks the resources to police local authorities.

Minister of Environment Affairs Louis Pienaar says 12 investigations are being conducted into waste disposal, the most comprehensive of which looks at toxic waste and the malpractices relating to its international transport.

Mr Pienaar says various projects will be launched in the next two years to formulate more comprehensive and effective regulations to control waste and pollution.

House prices rise, building costs soften

CT 19/11/91

By MAGGIE ROWLEY
Property Editor

(123)

THE price of medium-sized houses throughout the country increased by 14% year on year to an average of R120 900 during the third quarter, according to Absa's latest quarterly housing review.

The increase represents a year on year drop of about 1,5% in real terms which means that house prices have been falling in real terms since the end of 1983 by an average of 7,5% (annualised) every quarter.

The price of both smaller (80m² to 140m²) and larger (220m² to 350m²) houses increased by 13% to R100 300 and R167 000 respectively.

Prices of small and medium houses in the Western Cape, however, have shown above inflation returns and increases were second only to the Durban/Pinetown area.

On a year-on-year basis the price of a small house in the Western Cape (111m²) increased by 18% to an average of R109 452 with new houses fetching R117 507 and older homes about R105 261. Prices of medium size homes also increased by 18% to an average of R146 033 with new homes selling for around R171 371 and older homes R148 007.

Large homes in the Western Cape (263m²) showed a year on year change of only 7% to an average of R193 640 (R191 198 for older homes and R240 698 for new homes).

Between the second and third quarters of this year the price of medium sized houses increased by 5% in the Western Cape and Durban/Pinetown areas, by 6% in the OFS/Northern Cape, 4% in the rest of Natal, 3% in Johannesburg, Eastern Cape, West Rand and Pretoria and 2% on the East Rand.

Prices in the rest of the Transvaal remained unchanged while those in the Vaal Triangle fell by 2%.

The highest year on year increases recorded were recorded in the Durban Pinetown area where the average price of medium sized homes (179m²) rose by an average of 31% to R150 240. New homes in this category fetched around R194 506 with older homes changing hands at around R148 013.

According to the report, building costs have been slowing since the beginning of this year and rose by only 12,9% (20,5%) year on year. This trend, it said, was also reflected in the 3% decline year on year in the average price of new houses during the latest quarter.

The number of house plans passed during the first half of the year was down 11% on last year while the number of houses completed during this period was down 18%.

House prices in the Absa report are based on the total purchase price in respect of which loan applications were submitted to Absa for consideration. House prices lower than R30 000 and higher than R400 000 are excluded from the calculation.

Article continues on page 2

New service aims to help the buyer

B/DWY 20/11/91

Reports by
PETER GALLI

A NEW property service company, Marksman Property Services, has been established primarily to cater for and look after the interests of the buyer rather than the seller.

Director Richard Batchelder says: "Agents are employed by the seller of a property. Marksman offers a service that looks at the prospective deal from the buyer's perspective."

Marksman is offering a consultancy service to which the commercial, industrial and residential property buyer can go for advice and information. It will cover the problem areas to be aware of before an agreement is signed, and what buyers' rights are.

"Services offered include a structural analysis of the property, a town planning evaluation, access to the title deeds and official plans as well as an analysis of the offer document," Batchelder says.

On the commercial and industrial side, finance and feasibility studies can be carried out. "Our service attempts to cover all issues that can have a material impact on the value or utilisation of a property from a buyer's perspective".

In addition, Marksman is looking at finding existing properties for potential buyers but, should this not be possible, playing a development-type role as well.

Depending on the level of service required, buyers will be charged a professional hourly rate of around R175 for consultations, or a percentage of the purchase price for property acquisitions, he says.

"Many people are unaware of their rights and what to look for when buying a property. Our service can either point clients in the right direction and identify areas they need to be aware of, or evaluate the property and source the required documentation," Batchelder says.

A back-up team of professionals including an architect, lawyer, accountant, engineer and quantity surveyor has been set up.

"A recent Markinor survey showed that the public rated estate agents low on the list of people to be trusted. This service will hopefully help change this.

"Offering a buyer the option of an impartial evaluation of the deal will make him feel more secure and, we hope, assist in changing the image of estate agents."

However, the service has not been particularly well received by estate agents, who seem to feel there is no need for it.

Future plans include a consultancy service for people wanting to sell their own homes without working through an agent.

PROPERTY

Call for social upliftment forum

8 | Day 20 | 11 | 91

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Reports by PETER GALLI



● TEN KROODEN

THE time is right for a forum on social upliftment, in which communities could meet professionals to discuss their needs and how they could help one another, says André ten Krooden, a partner at consulting quantity surveyors Walker Mare.

"There should be a forum where communities can make their needs known. Then professional bodies can assist them in formulating these requirements,

and take the suggestions further," says Ten Krooden, a member of the SA Quantity Surveyors' public relations committee.

In this way community needs could be translated into appropriate development projects.

Consultants with specialised skills in the construction industry could assist in such an upliftment programme, which would offer business opportunities in many fields.

Quantity surveyors could assume the role of project

managers, to mobilise the unemployed in contracts within their own communities. Some form of training could be given at the same time, thereby contributing to general upliftment.

"However, this road tends to be more expensive and very time-consuming for consultants, and the projects could take longer to complete. In this regard, government could offer a tax incentive of some sort,

to encourage developers and institutions to undertake labour-intensive projects, encouraging local communities to undertake the work afforded them in their own areas."

Roads and bulk services could be handled on a labour-only sub-contract basis, using labour instead of machinery.

The Development Bank of SA is investigating how such projects could be implemented, he says. In addition, more innovative systems involving low-

cost housing were needed. These should not be systems that employed less people, but rather systems which made maximum use of unskilled labour.

Professionals needed to look beyond the profit motive and combine their skills with projects to provide employment and the upliftment of the poor.

Concerned professionals also needed an avenue through which they could inform communities about assistance they could provide. Communities could look also at the possibility of drafting a register of their people's skills.

Ten Krooden believes the future does not lie in sophisticated industry systems using large machinery, but in the use of hard labour, which will have the spin-off of creating pride and responsibility in the community concerned.

"Quantity surveyors can play a role in keeping checks on money to be spent. Consultants can be responsible for this, and sub-contract to workers from the community where the particular development is situated.

"While this is more expensive when it comes to professional fees, it is essential for the growth in

housing development and employment."

The "process of awareness" could be started at university or technician level. Students in quantity surveying, architecture and engineering could be required, as part of their courses, to spend six months in the field helping communities with housing and related projects.

To supervise the process, a resources centre could be established at the university, under the supervision of a body of professionals who would take turns in manning it.

Quantity surveyors and other professionals would, to some extent, need to "unlearn" what they knew, and become more development-minded and not just commercially oriented for such a scheme to succeed.

The establishment of a forum and the employment of local people in projects initiated for their benefit would also need the support of trade unions and community leaders, he says.

The building business is fraught with problems, but taking the labour intensive route could be effective.

"Perhaps this is the price SA should pay to address the unemployment problem," says Ten Krooden.

UNITED STUDENTS' COUNCIL

Building revival waits for new govt

By MAGGIE ROWLEY
Property Editor

THE home building industry in the low-economic sector will remain dead until a new government and a definite housing policy are in place, says Mr Dan Roelvert, newly appointed executive director of the National Association of Home Builders.

In an interview, Mr Roelvert said almost all the major players had been forced out of this sector of the market by high interest rates, bond boycotts and the high level of socio-political unrest.

"Many of these are hard issues which can be defined. As such, solutions can be found for them.

"However, there are softer issues that are less definable, such as attitudes, expectations and an entrenched culture of non-payment of bonds. These will also have to be addressed before the home building industry and mortgage lenders are prepared to re-enter this market," he said.

State guarantee

"Many of these issues can only be addressed when a new government is in place and a new housing policy has been finalised."

Mr Roelvert said the high level of expectations for housing in the low income groups was being fuelled by those who were going to have to try to fulfil them under a new dispensation.

"Until a definite housing policy is in place and there is some guarantee underwritten by the state for mortgage lenders, this sector of the home building market will remain dead," he said.

Mr Roelvert said he expected a single housing ministry to be established within 18 months.

"This is what the private sector has been clamoring for for 12 years, and it is going to require a similarly co-ordinated response from the private sector," he said. "A single ministry of housing is not going to want to talk to 30 players. We are going to have to speak with one voice."

Buyers benefit as prices are frozen

Sowetan 21/11/91

By **JOSHUA RABOROKO**

THE R25 million Delmore Gardens Development project started in January has frozen prices until the end of this December.

Basil Read Homes director, Mr Servaas van Gils, said that "with the introduction of Value Added Tax, we have managed to negotiate with builders and suppliers to freeze prices until December, making our house prices most competitive."

Because large numbers

of clients are first time home buyers, the company ensures that bond applications, registrations, transfers, local authority deposits and connection fees are taken care of and included in the package price.

The price of the houses, including land and costs, starts at about R57 000. As an added bonus, the company is offering free wall-to-wall carpets with every house sold until De-

ember.

This development is attractive to black buyers as it is 2km from the central

business district of Boksburg and Germiston and has easy access to two railway stations.

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Affordable quality homes needed

Sowetan
21/11/91

AFFORDABILITY is the key factor in the present property market and developers will have to adjust to demands for quality homes at prices which the average hard-pressed South African can cope with.

Competition for the available market is hotting up and developers are seeing for the first time the mass housing builders moving into the market for individual homes with their ability to shave margins to the bone and provide a reasonably priced quality product.

People would prefer to buy a home rather than rent one. The suppliers of

By JOSHUA
RABOROKO

housing therefore have to make it possible to do precisely that by providing housing at prices that are closely comparable with the cost of rented accommodation.

These are the views of black and white developers, who warn that the nature of the market has changed.

Mepco developers' managing director Mr JC Mtshali said developers must realise that goalposts have shifted. The volume of sales were now at the middle to lower end of the market and they have to provide for that need accordingly.

Another developer said the danger was that in the process, South African property development would evolve into a series of dreadfully uninteresting, tacky little box-like homes, with dreary

systems for

Consider all options when buying a home for the very first time

Sowetan 21/11/91

When buying a house look at all the options available. Use your weekends to look at new houses and travel to as many areas as possible. Talk to people in new houses and get an idea of prices.

Find out about municipal and others services in the different areas. Find out how much the town council charges for these services.

When you have decided to buy a house consider the following factors:

- How far is the area from your workplace? (Extra transport costs influences your budget).

- Are there schools in the area or are they planning to build new schools?

- How far are you from shopping centres, clinics, etc?

- Are there transport routes close to the area?

- Is it a neat neighbourhood and are the houses well looked after?

- Are there other facilities close by, like churches, sportsgrounds and parks?

Should you consider all these factors, the chances are good that the value of your property will increase in the next few years.

To get a good idea of what houses are available,

THE SA Housing Trust spells out factors to consider when buying a house and takes an in-depth look at home loans.

123

When buying a home make certain you know as much about the housing market and house prices.

read your local newspaper, contact builders in the area, look at showhouses, contact estate agents and speak to existing homeowners in the area.

Home loan

After you have decided that you would like to have a home of your own, you'll need to speak to a builder to determine how much money you'll need to buy the house. Then you can go to any bank, building society or Khayaletu Home Loans and ask them to lend you enough money, so that you can buy a house. This is called a home loan.

Improve

During the application procedure you will be asked to sign documentation which will give the financial institution the authority to register a bond on your house.

Financial institutions charge interest on bonds. Interest is the money that you pay when borrowing money.

The interest rate can change from time to time. If the interest rate is, for

example 21 percent a year, then for every R10 you pay R2,10 at the end of the year for borrowing the R10.

When the interest rate changes, it will make a difference to your monthly instalment. Normally, financial institutions will try to keep your interest rate as steady as possible. However, when there are changes, they will let you know what the changes are and what your new monthly instalment is going to be.

Every financial institution has its own criteria when it comes to the repayment period. When you reach a certain age, the repayment period of the bond will be shortened depending on the retirement date the financial institution prefers to use.

Monthly instalment

- Capital repayment (repayment of the amount which you have borrowed) and interest.

- Homeowners Insurance: financial institutions take out insurance on the structure of your

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P.T.O.

Buying a house with your eyes open



* FROM PAGE 23

house. They want to make certain that should anything happen to the structure you are insured.

●Life assurance is when clients take out insurance against death and disability. If something happens to you this insurance ensures that part of your home loan will be paid by the insurance company.

●SASRIA insurance:

to make certain that your house is covered if it is damaged in a riot.

When paying your monthly instalments remember you have to pay on the date agreed with the financial institution, otherwise you will pay extra interest.

After you have accepted your house you have to start paying back your home loan in instalments every month until you have repaid all the

money you have borrowed. Usually this can take as long as 20 years or more. (123) ~~234~~

There are three ways you can pay your monthly instalment:

●By debit order: ask your employer to deduct your monthly instalment from your salary every month and pay the money into the bank for you. By doing this you will always be sure your monthly instalment is paid on time.

●Should you have a home loan from Khayaletu Home Loans, you can pay the monthly instalment into any branch of the Standard Bank using the Khayaletu Gold Card.

Cash

The Standard Bank will then pass your payment on to Khayaletu Home Loans. You can also pay the instalment in cash at a local Khayaletu office

near you. Make sure that they give you a proper receipt or deposit slip for every payment you make.

●Should you have a home loan from a bank of building society, you can pay your monthly instalment into any branch of that particular bank or building society.

●Contact the financial institution immediately when you have problems in paying your monthly instalment.

16/11/91
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so we fear

Trust provides shelter for over 29 000 families

Sowetan 21/11/91

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MORE than 29 000 families have secured homes through developers and contractors working with the South African Trust Ltd, providing shelter for about 190 000 people.

In its annual report, the trust says the building of these houses was underpinned by the provision of some 40 000 serviced stands in close cooperation with local community representatives.

The trust, through its subsidiary Khayaletu Home Loans, as a lender of last resort, was compelled by market forces to make long term finance available to buyers of

By **JOSHUA RABOROKO**

houses built by the private sector.

Over the same period, 20 000 loans were granted through Khayaletu Homes to individuals at an average loan value of R22 000 - an investment of R400 million. The average amount of subsidies for home owners during this time amounted to about R40 million.

Employment

The report said that by providing the required long-term finances, the trust was able to ensure continued building activity for 44 developers

(excluding small builders), providing employment for more than 10 000 people.

In the report, the trust's chairman, Dr Simon Brand, said he believed that financial institutions had been reluctant to enter the low-cost housing market because of repayment boycotts and other civic action.

In addition, he said, extremely limited funds were available from the Government to support first-time home owners with subsidies.

The allocation of the subsidy to developers of defined projects created islands of privilege.

"Confusion and politi-

cal tension is bound to be created in certain areas.

The practical complexities surrounding existing squatter settlements will make use of the subsidy very difficult in many cases," he said.

"The country faces a crisis which is in large measure the consequence of unsatisfactory living conditions experienced by the vast majority of its people," he said.

From the trust's point of view there was a pressing need to make progress in areas such as: real growth, an environment conducive to upliftment; acceptable transitional measures and co-ordinated approach.

New hotel is not



LOW-COST HOUSING

The wrong targets

FM 22/11/91

There's little room for complacency among housing agencies. While they bicker over subsidies homeless people ruefully refer to millions of rands as ghost money — often heard but never seen.

At the centre of the controversy is Jan Steyn's Independent Development Trust, criticised by some for the high-handed manner in which it has dished out funds, and hailed by others for boldly stepping in where government and the institutions fear to tread.

Among its sternest critics is Development Bank and SA Housing Trust chairman Simon Brand. The antagonism surfaced in the Housing Trust's recently released annual report. Brand used it as a platform to slam the IDT for the way it has allocated R750m in capital subsidies which will allow 100 000 families to become owners of serviced sites.

He claims the IDT is creating islands of privilege which effectively block neighbouring developments indefinitely.

To date, the IDT has approved in principle 108 schemes for subsidies. Of these, 37% are public sector schemes, 34% community trusts, 20% utility companies and 9% for private developers.

Though Brand actually welcomes the IDT's allocation of finance to the lower end of the market, he contends that it has jeopardised investments in serviced sites by other developers anywhere near IDT-approved projects.

"To avoid selling these stands at significant losses in the short term, these service sites will have to be retained at high holding costs for an indefinite period until government enters the market with, hopefully, a comparable subsidy scheme."

The allocation of these subsidies, he maintains, results in confusion and political tension. Government, in formulating a national standard subsidy scheme, must also find ways of relieving the negative consequences of the IDT's scheme in its current form and extent.

In contrast the Urban Foundation, Steyn's former bailiwick, has pinned its colours very firmly to the IDT's mast.

Foundation chairman Mike Rosholt points out that government has expressed support in principle for the capital subsidy concept but failed to allocate the resources.

"This (the IDT subsidy) has been a breakthrough. It has opened the way towards the more appropriate use of State housing funds and it is vital that the IDT scheme continues.

"If the housing crisis is to be overcome there must be a government commitment to provide adequate regular funding for the next five years. This will enable at least 150 000 low-income families a year to enter

the housing process by acquiring serviced sites."

The IDT's Jolyon Nuttall concurs: "The IDT scheme can meet only 10% of the needs of the very poor. It is essential for complementary commitments from government and others so that subsidies on serviced sites can be extended to the poor immediately."

Furthermore, he adds, there is regular liaison between Steyn and Brand on matters of common concern between the IDT and SAHT.

However, SA Housing Trust's Kayahaletu Home Loans GM Ben Pieters bolsters Brand's argument. He points out that the IDT's subsidy provides only a stand, not retail finance to build a home, so the lucky owner becomes a squatter on his own land.

"In the meantime, because we have about 21 000 serviced stands across SA which are effectively sterilised because of the IDT subsidy, we have to curtail our development. There's no point in putting a home on the market at about R26 000 which includes R8 000 for the cost of the stand while right next door is an IDT property, where the owner gets the land free, so his home will cost only R18 000.

SA Housing Trust GM Johan de Ridder adds a survey shows that, excluding serviced sites provided by the provincial authorities, there are about 25 000 serviced stands in the sub-R7 500 market sitting vacant which have to date not qualified for the IDT subsidy. Many of these are next to IDT schemes and so have had to be withdrawn from the market."

He criticises the subsidy for offering buyers limited freedom of choice about where they acquire property. He is also critical of the sudden cut-off point which bars anyone earning more than R1 000 a month from qualifying for subsidised land.

"If there were, for example, a first-time home buyer's interest-based subsidy where the capital subsidy ends then there would be greater continuity," maintains De Ridder.

In the meantime, squatters, huddled in makeshift, damp and uncomfortable plastic shelters, dream of a waterproof roof over their heads and dry floors underfoot. There is a lot of co-operation between the agencies but the most they can hope for are phantom homes as long as the empire building and brinkmanship continue. ■

DEVELOPMENTS

Fairway drive

JCI Properties has teed off to a cracking start with Dainfern, its integrated golf course, country club and residential estate near Fourways, north-west of Johannesburg.

The developer still needs formal proclamation of the estate but says 70%, representing 108 stands, of the first phase has been sold. Of these 18 have been sold since the official launch at the beginning of September. There was expected to be a noticeable decline in buying after the introduction of VAT but, according to JCI, this has not happened.

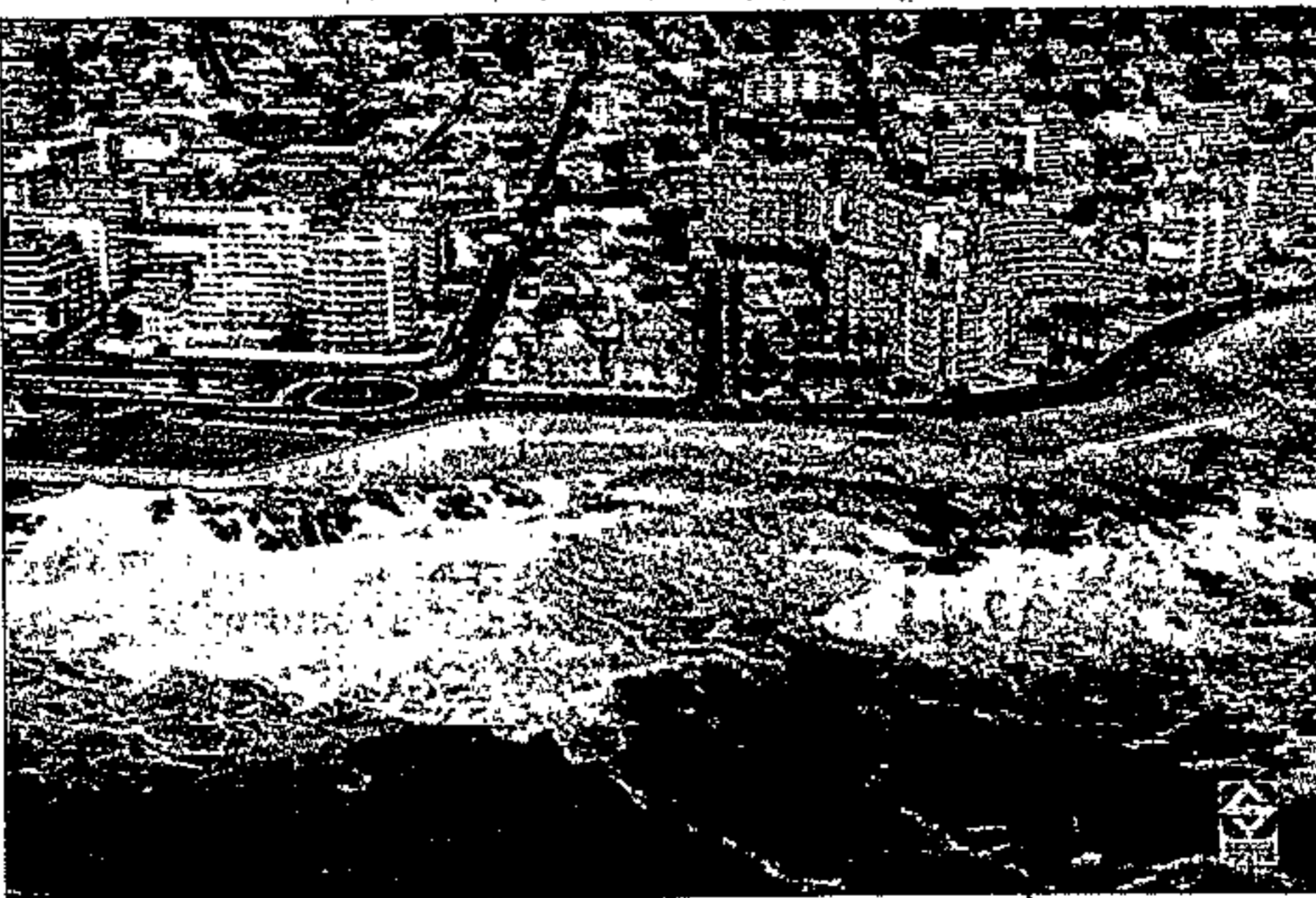
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FM 22/11/91

TIDE COMES IN AT SEA POINT

Sanlam Properties has given visual perspective to what it plans for its R250m

President Hotel site redevelopment at Sea Point in Cape Town. The property has



been described as one of the most splendid and valuable development sites in the country.

As well as a R100m luxury hotel on Cape Town's beachfront, the project will also include three blocks of luxury apartments.

Sanlam Properties says it is negotiating with local and international operators to run the hotel.

The old hotel will be demolished in March.

House prices show drop in real terms

123

Bl Day 22/11/91

PETER GALLI

SINCE the end of 1983 house prices have fallen in real terms by an annualised average of 7,5% every quarter. This is disclosed in the latest Absa quarterly housing review released yesterday.

The price of medium-sized houses rose by a year-on-year 14% to about R120 900 during the third quarter of 1991 from a year ago, which translates into a year-on-year fall of about 1,5% in real terms, it says.

Smaller and larger house prices both rose by 13% to R100 300 and R167 000 respectively. However, the increase in building costs has been slowing since the beginning of the year, rising by 12,9% during the third quarter compared with a year ago.

"This compares well with the average rate of 20,5% during 1990. This trend is also reflected in the 3% decline in the year-on-year average price of new houses during the latest quarter," the review says.

With inflation remaining in excess of 15% and "bound to increase" over the short term due to VAT, there is little likelihood of interest rates coming off before the end of 1991, it says.

Provided inflation is brought under control during 1992, the Bank rate could be lowered by about two percentage points, with mortgage rates about 18% by the end of 1992.

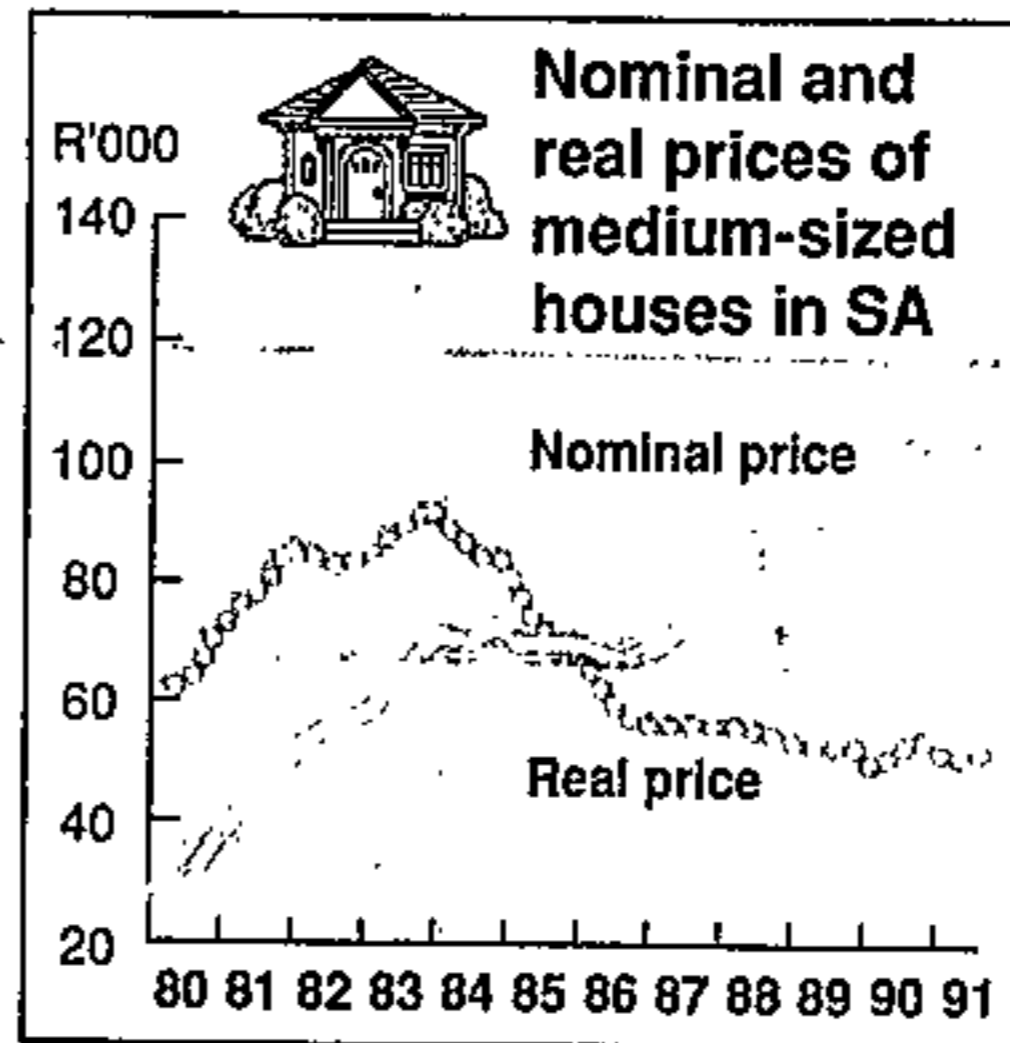
The price of medium-sized houses in the Free State/northern Cape rose by 6% between the second and third quarters of 1991, by 5% in the western

Cape and Durban-Pinetown areas, by 4% in the rest of Natal, by 3% in the Johannesburg, West Rand, Pretoria and Eastern Cape regions and by 2% on the East Rand.

"Prices in the rest of the Transvaal remained unchanged, while those in the Vaal Triangle fell by 2%," the review says.

Activity in the residential market can be expected to remain depressed for a few more months as the change-over to VAT takes effect and recessionary conditions persist.

"However, market conditions are bound to improve by the second quarter of 1992 in line with the general economic recovery expected to emerge from then on," it concludes.



Graphic: FIONA KRISCH Source: ABSA

Electrification standards 'high'

610cm
22/11/91 LINDA ENSOR

CAPE TOWN — The application of inappropriately high standards to electrification was in effect killing people, Cape Town mayor Frank van der Velde said yesterday at a seminar on electrification.

People were forced to use often lethal energy alternatives such as candles or paraffin because municipal inspectors insisted on imposing high standards.

Van der Velde said suppliers of electricity should apply pressure to have the regulations downgraded.

Urban Foundation regional director Vernon Rose said one of the main obstacles to electrification was the existence of conservative and reactionary local authorities.

Mario Bertoni, one of those involved in spearheading Brazil's electrification drive, visited an Eskom low-cost electricity "showpiece" in Orange Farm and found the standards applied were far too high and too expensive to apply to the 8-million people in SA needing power.

Bertoni told the seminar that the Brazilian electrification programme, started in 1984, had been so successful that it was envisaged by 1994 95% of all existing farms and 95% of total urban households in the state of Parana would have electricity.

Consulting engineers, Hill Kaplan Scott director Trevor Gaunt said progress in electrifying SA had been slow because of the lack of development funds.

House prices fall 7,5 pc a year in real terms

By Frank Jeans

The price of medium-size houses rose 14 percent to average about R120 900 in the third quarter of this year, says the Quarterly Housing Review of the country's biggest home lender, Absa.

The prices of smaller

STAR 26/11/91
and larger houses rose 13 percent to R100 300 and R167 000 respectively.

The review says: "The increase in the price of medium-size homes represents a year-on-year drop of about 1,5 percent in real terms, which means that house prices have been falling in real terms since the end of

1983 by an average of 7,5 percent (annualised) every quarter."

While Absa sees little chance of a bond rate reduction before the end of the year, it is hopeful of some relief in 1992.

With inflation remaining high — above 15 percent — and bound to increase in the short-term

owing to the effect of VAT, a drop in mortgage rates cannot be expected.

"However, a relatively stable rand, a strong decline in credit demand and a healthier foreign exchange reserve position could motivate a lowering of interest

rates in the first half of next year.

"Provided inflation is brought under control during 1992, the bank rate could be lowered by some 2 percentage points, which implies that mortgage rates could reach about 18 percent by the end of next year."

PROPERTY

Agents concerned about overvaluation

8 (Day) 27/11/91
ESTATE agents are voicing their concern about the emerging trend of overvaluing houses, either to win a mandate or in a bid to obtain an unrealistically high price for the property.

Alternative Agency MD Barry Cribb says the only way to overcome the problem of estate agents overvaluing property to win a mandate is to enforce a penalty on commission if the property is sold for less than the projected figure.

If the difference between the selling price and the mandate price is between 5% and 10%, the agent should be forced to take a 20% drop, and so on, Cribb says.

Realty 1 - Elk MD Basil Elk says sellers can seriously damage their chances of receiving a good price for their homes if they start off by overpricing.

While it was understandable that sellers wanted the best price they could get, they should be wary of the agent who promised an unusually high price.

Reasons sellers overpriced included: they had over-capitalised and wanted to recover their money; they set a price to

cover their needs and allow them to buy in a more expensive area; they lacked factual data, or they wanted to create bargaining room.

"One of the biggest drawbacks of overpricing is that the seller will attract buyers who are looking in a higher price range and have greater expectations," Elk says.

Cribb agrees, saying no matter what is promised, this does not change what the property is worth. The seller will eventually have to drop to the "real value".

"I believe the agent who uses underhand means to secure a mandate unnecessarily lengthens the period of the sale transaction. Because of this, the agent should take a drop in commission on a sliding scale if the price is not achieved," he adds.

Elk says proper pricing cannot be easily achieved by an owner alone. It requires the right agent with the correct information, resulting in the best price and a faster sale — with fewer problems.

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Reports by
PETER GALLI

Pyramid structures deter the investors

^{6 May 27/11/91}
SOUTH Africa should be prepared to play to international rules if it wants to attract foreign investors to the Johannesburg Stock Exchange.

One of these is to disallow listed pyramid structures.

The US, UK and most other common market countries have outlawed pyramids because they allow parties with a relatively small financial interest in the company to exercise control.

The active contested bid activity in these countries works in favour of minority shareholders and it keeps management on its toes, says stockbrokers Ed Hern, Rudolph director of corporate finance Tak Hiemstra.

"Foreign fund managers who show interest in our market have indicated they foresee this as a problem.

"Now that we have a code that regulates friendly and hostile takeover offers we need to facilitate this activity.

"One way would be to collapse pyramid structures.

"A good start would be not to allow any new pyramids and to commence the phasing out of old pyramids," he says.

The Financial Services Board seems to be bent on freeing the markets and improving liquidity.

Addressing this issue could go a long way in achieving both.

Interest 180

Hiemstra says: "It is in the interest of a free market not to allow people to control a web of companies with interests as low as 1% in some of them.

"Theoretically, collapsing pyramids could reduce market liquidity, but as absolute control cannot be assured, the 'fixed blocks' of shares could become tradeable."

JSE listing and equity markets GM Richard Conellan says pyramid structures has been an issue on the market for a long time and is continually up for discussion by the committee.

year.

John Russell, who will remain as Pro-

are offices in Durban, Cape Town and Johannesburg.

Rabie abandons black housing to go upmarket

B10 aug 27/11/91
RABIE Holdings had cut back the number of houses it built in the black market to 30 a month from its peak of about 300 a month a few years ago, finance director Ken Maggs said yesterday.

The group, which was previously one of the largest black housing developers, was now heavily involved in the upmarket residential market in Cape Town, he added.

Following this direction change, the group had enjoyed "phenomenal success" with its R100m Dolphin Beach development and R21m Sea Glade development.

Eighty percent of the 150 units at Dolphin Beach — on the shores of

123
Table Bay — had been sold before construction started.

Three-quarters of the 71-unit Sea Glade development, at Hout Bay, had been sold before building began.

Rabie had drastically reduced its exposure in the black housing market after a R708 000 operating loss for the year to June. (Last year a R5,7m operating profit was earned.)

Although the group remained exposed to this market in the Transvaal, it had withdrawn from it in Natal and the Cape. The group was continuing in the Transvaal because it still had some land holdings to develop there, Maggs said.

An industry source said he believed the black housing market to be dead. "Financial institutions have curtailed their lending and reassessed the risk in this market. Also, with high unemployment and high interest rates, only a few people are in this market."

But Rabie remained exposed to the low-income housing market through its 40% holding in Kwikspace, which included the Zozo, Portacamp and CI Park Homes businesses.

In the 1991 annual report, chairman John Rabie said the real need in the low-income housing market was "in the area of shelter and below a cost of R10 000".

WILLIAM GILFILLAN

Beare shows sales growth

B10 aug 27/11/91
MARICA KLEIN

PREFCOR's furniture subsidiary Beare Group seems to be defying poor trading conditions in the furniture industry, says Beare Group chairman Hymie Sibul.

Recently released figures show that sales in the furniture and appliances sector grew by 3% in October over the same month last year, but Beare has shown a 27% growth, he says.

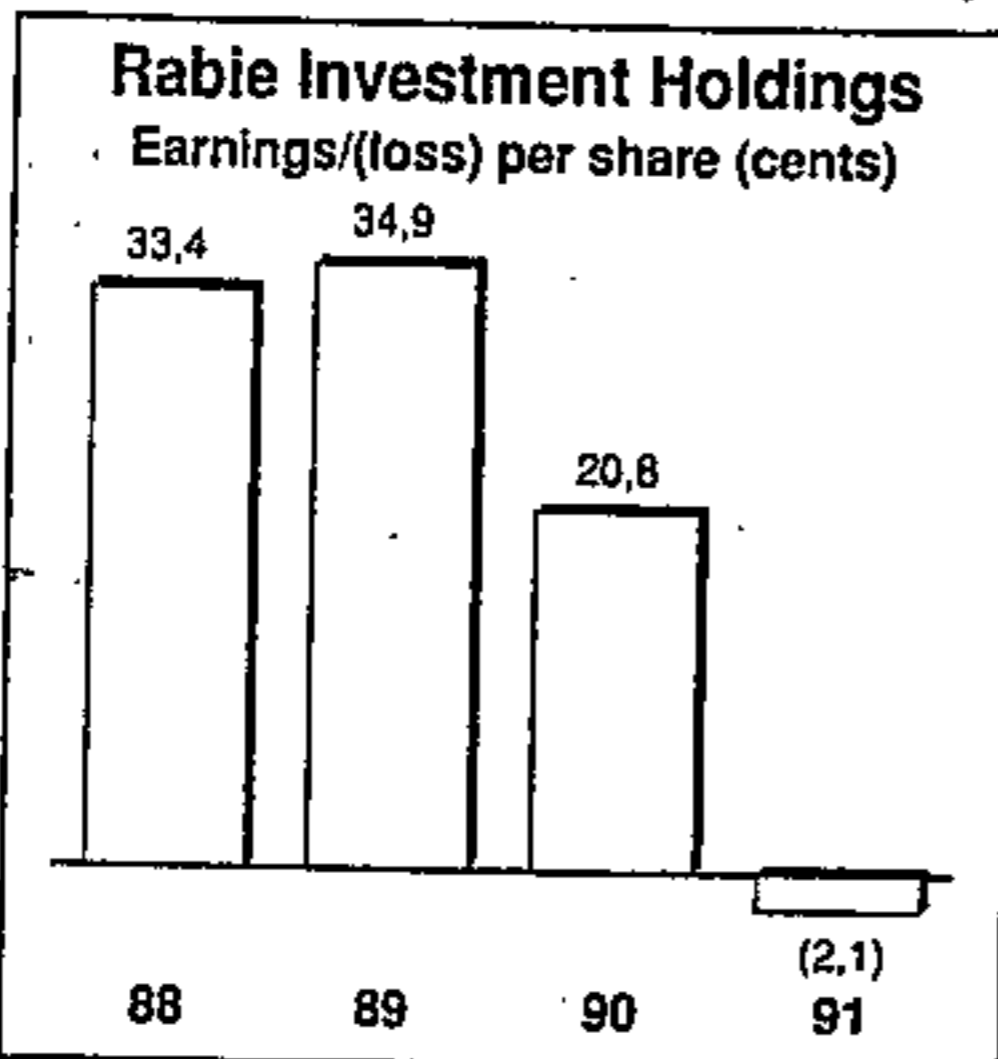
Not only has the 200-store chain kept its sales up during the recession, but Sibul claims it is also one of SA's most active furniture and appliance retailers.

Beare has embarked on a major expansion programme. Growing markets have been identified in neighbouring countries.

Sibul says although trading conditions are certainly tough, "we are doing things a little different", and Beare's aggressive consumer-oriented marketing programmes have seen it gain market share.

He attributes this to Beare's intimate knowledge of the market, looking after its staff, careful credit control and selective organic growth.

There has been some increase in sales over the past week to 10 days, "which is pleasing in the current climate", he says.



Graphic: FIONA KRISCH Source: RABIE INVESTMENT HOLDINGS

Land expropriation can often give a good deal

CUSTOM holds that no property owner whose land has been expropriated should express any kind of satisfaction over the deal he has received from government, even though this will almost invariably be better than he would achieve on an open market.

Private valuer Frank Belling says: "Government must have the right to expropriate property."

Impossible

"If every individual could refuse to give up his land the development of roads and essential services would become impossible.

"But valuation must be done on the basis of what a willing buyer could expect to get from a willing seller in a reasonable period in an open market.

"At the same time, the

seller gets the full price he does not have to pay agents fees together with a solatium in acknowledgement of the fact that because he is not a willing buyer he is being forced to undergo the expense of relocating."

Independent

In the case of major expropriations, the state usually employs two valuers, who reach independent decisions as to the value of the land.

They then put their valuations before the Valuation Board, which comprises state officials, private valuers, farmers and other representatives of the private sector.

"They don't always accept the lowest price.

"The board has been known to set higher values than the valuers," Belling says.

Revalued

When the owner is unhappy, the board will usually order that the property be revalued two or even three times.

"The aim is to achieve a willing sale, not a forced expropriation," he says.

Problems can arise when neighbouring property owners receive different offers for their properties.

"But two neighbouring properties can have completely different values, based on the improvements carried out, the quality of the soil and a range of other factors," he says.

Difficulties can also arise when the valuers are unable to take into account the sentimental value of a property, which affects only the established owner.

"I once valued a property where the owner commented that I was qualified to put a value on cement, but how did I value sentiment?"

"It's a real issue, but the government has to assume a willing buyer and a willing seller.

"As such, it gives as fair a deal as one can hope for," Belling says.

BT Day 27/11/91

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Building blues as real estate takes a tumble

Sowetan 28/11/91

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By JOSHUA RABOROKO

BUILDING activity and real estate sales volumes have declined, although prices of houses have not been as adversely affected as expected during the current recession.

In its quarterly housing review, the Association of Banks of South Africa says these trends are reflected in the 11 percent and 18 percent declines respectively in the number of house plans passed or completed during the first half of this year.

The report says price levels in the residential property market can be expected to remain depressed for a few more months as the changeover to VAT takes effect and recessionary conditions in the economy persist.

However, market conditions are bound to improve by the second quarter of next year, in line with the general economic recovery that is expected to emerge from that point onwards.

Between the second and third quarters of 1991, the price of medium-sized houses increased by six percent in the Free State/Northern Cape; five percent in the Western Cape and Durban-Pinetown areas; 4 percent in the rest of Natal; 3 percent in Johannesburg, West Rand, Pretoria and Eastern Cape regions; and 2 percent on the East Rand.

Prices in the rest of the Transvaal remained unchanged, while those in the Vaal Triangle fell by 2 percent.

With inflation remaining high - in excess of 15 percent and bound to increase over the short term owing to the introduction of VAT - there is little likelihood that interest rates will be lowered before the end of this year.

However, a relatively stable rand, a strong decline in credit demand and a healthier foreign exchange reserve position could motivate a lowering of interest rates during the first half of next year, Absa said.

Provided inflation is brought under control during 1992, the bank rate could be lowered by about two percentage points, which implies the rate could be 18 percent by the end of 1992.



Paints it better
with Plasco

"The man at Plasco
said there are basically
two kinds of paint..."



Numbers of rent defaulters soar

123
CT 28/11/91

By MAGGIE ROWLEY
Property Editor

THE number of defaulters and late payers for rented premises has doubled in the past four months, according to leading property administrators.

Bill Cox, director of H Lewis Trafalgar, which administers about 25,000 units countrywide collecting R13m a month on behalf of clients, said the number of late payments, non-payments and RD cheques across the spectrum had soared in recent months, reflecting the state of the economy.

Landlords, he said, also affected by the recession and the high cost of money, were getting tougher with tenants.

"For cash flow reasons they cannot afford to carry tenants and it is only a matter of time before we see them resorting to evictions."

He said they were now sending out written warnings and telephoning tenants on the first of the month if payment had not already been received.

Nigel Anderson of Dunlop Heywood said retail and industrial tenants appeared to be hardest hit by the downturn and they had

already had to evict three tenants since July.

He said that while retailers were hoping for improved trading conditions over Christmas, if this did not materialise many more could struggle to meet their overheads.

"And we might see further casualties in the traditionally quiet January and February months."

He said industrial tenants were more optimistic about trading conditions for next year.

Charles Keefer, director of management department of Dunlop Heywood, which has more than 80 buildings in the Peninsula and 500 residential tenants on the books, said they had noticed a definite increase in defaults and late payments in recent months which had been exacerbated by increasing insolvency levels and businesses, including long established concerns, closing down.

He said while they had tight credit control in place they were having to wait longer for tenants to pay.

"We pass the rents on to landlords once we have collected 96% of what is due and it is taking longer to get this percentage, which affects our reputation."

"Our job has definitely got tougher during the downturn."

Cox said that the public at large was under the misapprehension that they had until the 7th day of the month to pay their rents.

"However this was under the old Rent Control Act and many residential leases state that if the rent is not paid by the first day of the month, the owner has the right to terminate the lease agreement without notice."

"This option has not been used very often in the past as the majority of owners or administrators have not been that rigid. However in our current economic climate, especially with the demand for rented premises exceeding the supply because sectional title sales have diminished the availability of premises for rent, a definite tightening of the rules is taking place."

He said non-payment of rent was often due to bad memory and postal delays which could be controlled by the ACB automatic bank clearing facility.

H Lewis Trafalgar, he said, was on-line with Time-Slot Computing Service who also wrote and installed the system which includes automatic receipting and ACB clearance.

"It identifies the rent defaulters very quickly and allows us to remedy the situation before it gets out of hand," he said.

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PAR no answer to housing funding

Deputy Business Editor

A PRESCRIBED asset requirement for pension funds was not the answer to help finance low cost housing, says Reg Munro GM (services) of Old Mutual.

(23) CT 28/11/91

In a recent interview, Munro said a prescribed asset requirement, as had been suggested in some quarters, was a sleight of hand tax of members of pension funds.

"Maybe through taxing pension funds the government can raise part of its contribution towards low cost housing. But this tax should be a direct tax and they should declare it as such," he said.

He said Old Mutual was not looking at providing handouts but at projects which offered a financial or social return, the classic of which would be low cost housing.

Although low cost housing would be an ideal socially desirable project for life offices to invest in, lack of infrastructure was preventing this from happening, Munro said.

"In the old days this would have been easy, one would simply have given the money to government. But we are lacking the middle man, the specialist body who can raise the money and pass it on and this is not a role that Old Mutual can provide or has the expertise for."

market top-of-the-range residential and investment properties. The group believes the lifting of sanctions has sparked new interest in local property which they regard as undervalued in world terms.

The month-long tour, costing R130 000, will be led by Seeff Residential Properties (SRP) director Rob McKee and includes exhibitions in London, Zurich, Lucerne, Frankfurt, New York, Hong Kong, Taipei and Tokyo.

Since 1985 Seeff has exhibited annually in London and the response has been good in spite of the poor political climate. Sales valued at about R130m have been directly attributed to the London exhibitions. Total foreign sales by the group over the past six years have been about R100m, according to Seeff International Properties MD Carmella Seeff. She says foreign investors are interested in SA holiday homes because previously favoured areas like Spain and the south of France are overcrowded and expensive.

Properties on this year's exhibition will be in the R700 000-plus price bracket though lower priced houses with "something special" to offer have also been accepted, says SRP MD Samuel Seeff. He adds that the company has no doubt the lifting of sanctions will see buyers streaming back to SA from Europe, the US and the Far East.

However, he warns that local sellers shouldn't believe they can inflate prices and catch unsuspecting foreign buyers who "are not fools" when it comes to knowing the true value of SA property.

The exhibition will be in the form of a slide presentation of the properties on offer plus detailed information so that investors will know exactly what they're looking at. The exhibition will be backed by Satour material on SA's lifestyle.

Seeff says that though Cape property remains most popular with foreign investors, this may be because there has never really been a major effort to market Transvaal property — which this year's exhibition will do. "After all, the Transvaal enjoys one of the finest climates in the world, is the country's economic hub and is well placed to serve foreign businesses, particularly with the re-opening of the SA market."

Properties on show will include game farms which Seeff says have become such popular investments locally and overseas that the company has opened a dedicated office in Hazyview in the eastern Transvaal to market them. He says potential buyers are an elite but growing group of wealthy people interested in wildlife. "The green movement is no longer simply a social fad. People are practising conservation in their private capacities and spending millions doing so."

The Hazyview office is managed by June Martin who previously managed SRP's biggest Cape Town branch at Wynberg. She says lobbying by conservationists to have the private game farms on the western boundary of the Kruger Park incorporated into the park (though left in private hands) is pushing up property values considerably.

INTERNATIONAL FM 29/11/91

A wider net (123)

In what is believed to be the most ambitious campaign of its sort by an SA company, senior executives of the Seeff property group will leave on a world tour next month to

Cheap housing goes on show

FABCOS and timber company Sappi have joined forces to find house designs which can help solve the housing backlog, the two organisations announced in Pretoria this week.

Fabcos chief executive officer Jabu Mabuza told a press briefing at the organisation's offices in Pretoria West that the houses on display ranged in price from R1 500 to R4 500, which could be paid over five years.

Four houses, with two and three rooms, with tiled roofs and walls built with hardboard and asbestos, were on display.

Mabuza said it was surprising that most squat-

ters chose a flat-roofed hardboard house costing R3 500, instead of a stronger one roofed with ceramic tiles. ~~308~~

He said Fabcos and Sappi, which also deals with building materials, took into account that there was a growing number of squatters, especially in the PWV and Durban areas, "because of the acute shortage of housing in the black community". ~~123~~ ~~308~~

"If we are to address the backlog, we will have to provide 1,8 million families with houses now and build 400 000 units every year for the next 10 years." - Sapa

11/12/91
SIPROS

PROPERTY

Business as usual in SA not possible

Sowetan 5/12/91

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of in some other quarters, he said, adding, "it is time for action."

Business as usual is already impossible in South Africa, especially in black communities.

According to Mr Ben Pieters, head of Khayaletu Home Loans (Pty), attached to SA Housing Trust, a totally new approach is needed - such as a joint venture involving low-income communities themselves, the private sector and the Government.

Such a partnership could at least trigger renewed funding for low cost housing and funding for attendant social infrastructure in low-income communities.

Pieters said he believed that the timing was right for such a joint venture.

Funding

South Africa's reintegration in the world community would encourage access to funding models and innovations tried in similar markets. Many of these models involve government intervention and private enterprise participation.

But the key, Pieters said, lay within black communities themselves. Failure to counteract rampant instability was tantamount to pressing the self-destruct button.

Khayaletu continually interacts with all potential participants in the suggested joint venture. It is regularly consulted by Government agencies and tries to attract private sector finance to low cost housing. It also educates low-income communities to the importance of a stable environment.

He said: "Ultimately, the business and the black communities have to form a joint venture. Maybe we'll have to play middleman for a few years. The important thing is to make a start.

By JOSHUA RABOROKO

"Communities which fail to honour commitments and seek confrontation on every conceivable issue will fall behind communities which genuinely seek development. Investment funds will go to the stable environment."

He believes that the Government and the private sector could establish their credentials inside black communities by showing their commitment to seeking innovative solutions to the housing crisis and the lack of social infrastructure.

Simultaneously, specific black communities could establish their good faith by taking steps to reintroduce stability to their areas.

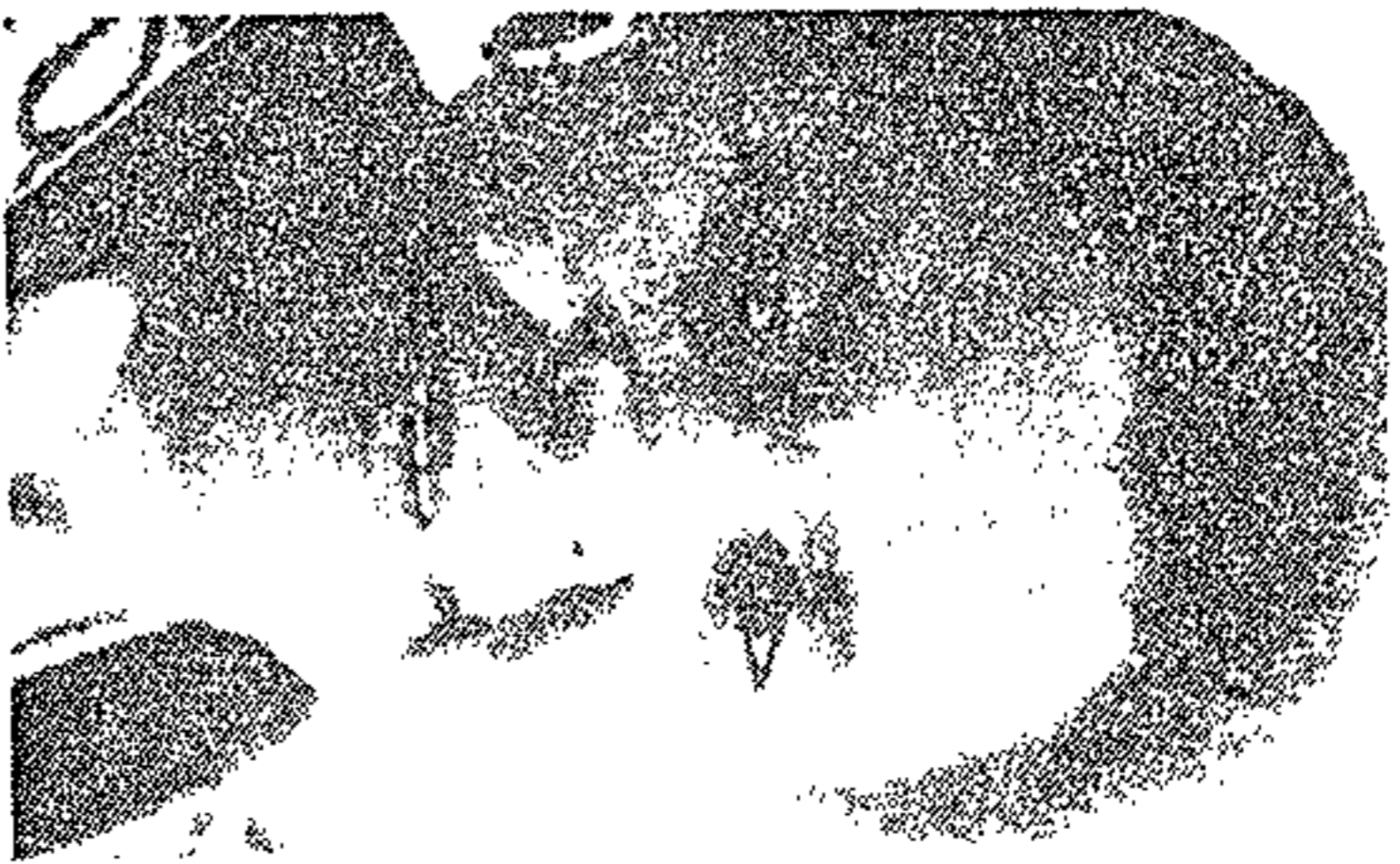
He believed the Government had to shoulder responsibility for basic shelter at the lowest end of the scale, and an equitable subsidy system needed to be put in place as soon as was practical.

He added: "The Government's role in encouraging investment in housing and infrastructure will come increasingly under the spotlight. The business community should look at various instruments now so it can advise and co-operate. Time is running out."

Studies

According to him, the United Nations Centre for Human Settlements has made in-depth studies of financial resource mobilisation for low-income groups. Its findings might be adapted in South Africa.

He said the situation was serious, but certainly not hopeless. Innovation and change will make a difference. But lip-service to peace had to cease in black communities just as it had to stop in upliftment



Right: Former chief minister of KwaZulu-Natal Mr Enos Mabuza has been appointed a non-executive director of Volkswagen of South Africa. He is a well known figure in political circles and serves on the boards of many companies.



Left: Soweto businesswoman Mrs Marina Maponya has been appointed a non-executive director of Volkswagen of South Africa. She is a popular figure in business and serves on boards of many business and women's organisations.



Y

Housing advice group in action

Sowetan 5/12/91

By JOSHUA RABOROKO

HOUSING Advice Centre, a legal aid voluntary association specialising in housing, has been launched in Johannesburg.

Under the leadership of a leading attorney, Mr Brian Leveson, the centre aims to help improve consumer protection in the lower income home ownership market.

It also aims to:

- Take legal reasonable steps to edu-

cate the public about the legal and financial implications of home ownership and associated matters;

- Help the lower income community with their legal problems of a home ownership or associated nature by offering legal advice and assistance including proceeding with litigation.

They can be contacted at Room 404-407, 4th floor, Gloucester House, 66 Risik Street, Johannesburg. Tel (011) 333 2476/7.

Fabcos gets a big praise

Soweto 5/12/91
By JOSHUA RABOROKO

THE Azanian Students Convention has welcomed the Foundation of African Business and Consumer Service's involvement in low cost housing.

Azasco's deputy president, Mr Vusi Hlongwa, said his organisation applauded the timely move by Fabcos to intervene on behalf of the toiling black people by pledging to assist in building affordable houses for the poor.

He said: "The white Government has failed with its moral obligations to provide housing. White companies and multinationals took advantage of the plight of black people by reaping super profits out of the housing problem.

"This failure has led to the mushrooming of squatter camps countrywide, which are fertile ground for being a killing machine, evidenced by current massacres of our people."

He was responding to a major move towards alleviating the acute housing shortage taken by Fabcos to build more than a million low-cost housing within two years.

Fabcos has identified poor housing standards and the general housing shortage as the most pressing socio-economic problem facing South Africa.

Photo:

Black property market takes dip

2013
123

Soweto 5/12/91
THE property market is heading for rough times which could result in cutbacks on a number of houses supposed to be built for blacks.

By JOSHUA RABOROKO

The main factors that could lead to this situation are financial institutions' reluctance to offer home loans and the escalating violence that has reached alarming proportions in the townships.

Banks and building societies are refusing to give loans because of non-payment of bonds caused by townships boycotts and violence.

Rabie Holdings has cut back on the number of houses it is building in black areas to 30 a month from its peak of about 300 a month a few years ago, the company's finance director, Mr Ken Maggs, said in Cape Town this week.

The group, which was previously one of the largest black housing developers, was now heavily involved in the upmarket residential market in Cape Town.

This trend is likely to be followed by other developers at a time when there is an acute shortage of houses for blacks resulting in the mushrooming of squatter camps.

Sources in the industry have indicated that there are many obstacles although they are optimistic that things will change in the so-called new South Africa.

Maggs said that Rabie had drastically reduced

the exposure in the black housing market after a R708 000 operating loss for the year to June - last year a R5,7 million operating profit was earned.

However, he added, although the company remained exposed to the market in the Transvaal, it had withdrawn in Natal and the Cape.

"The group is continuing in the Transvaal - in areas such as Soweto and Tembisa - because it still has some land holdings to develop," he said.

Rabie still remained committed to the affordable homes market through their 40 percent holding in Kwikspace, which included the Zozo, Portacamp and CI Park Homes businesses.

Sources in the building industry said they believed the black housing market was dead.

In his chairman's report Dr Simon Brand of the South African Housing Trust said financial institutions were reluctant to enter the low-income market in any meaningful way.

In addition, extremely limited funds were available from the Government to support first-time owners with interest subsidies.

"It follows clearly that

new and innovative ways will have to be found to address socio-economic development in South Africa during the period of political transition.

"To achieve this we will require the commit-

ment of all concerned to increasing the momentum of development," he said.

Director of Mepco Construction and Developers Mr JC Mtshali said financial institutions had throttled their lending.

Eskom 'left much to be desired'

THERE are probably legitimate reasons why people fail to pay their electricity bills, Eskom official Mr Johan du Plessis said during the *Sowetan/Radio Metro* Talk Show yesterday.

Du Plessis said it was the quality and management of supply that needed to be put right.

He said meter readers were often not sufficiently trained and motivated to execute their duties.

"Local authorities will need to train personnel to be able to provide quality service that will be without blemish."

The fact that meters were often out of order did not augur well for generating confidence among consumers.

Du Plessis said the management of supply was an issue that left much to be desired in some of the black



local authorities. Eskom insisted on quality customer services and good relationships with the consumers.

"Unfortunately that cannot be said of the black local authorities," he added.

He said Eskom could not always intervene when consumers encounter problems with municipalities.

"They have the right of supply, and we leave it to them to administer the supply as they see fit," he said.

Mr Peter Kgame said Eskom operated a power line service which tries to attend to queries made by the consumers.

Hammering the black homeless

Soweto 9/12/91



THE high repossession rate of houses from bondholders has reached alarming proportions in townships.

More than 100 houses in Soweto alone have been put up for auction over the past two weeks.

The Civic Associations of the Transvaal yesterday reacted with anger to the notices of sales, which appeared twice in a daily newspaper last week.

The National Black Consumer Union said the repossessions "would only lead to more chaos and anarchy".

Mrs Cynthia Chabeli of

**By KENOSI
MODISANE**

the NBCU said: "How do they expect people to have money when they are out of jobs? The people are not responsible for the economic crisis.

"They should reconsider driving people out of their homes because leaving people without roofs can only create problems.

"We are in a crisis situation and it is only these financial institutions which can help by urging other businessmen to create jobs."

Cast's outcry follows

Nedperm's placing of a large number of notices in newspapers announcing auctions of repossessed houses - mainly from black bondholders.

Cast general secretary Mr Dan Mofokeng has accused Nedperm of "foul play".

"Nedperm is acting in bad faith and this will lead to us losing confidence in them.

"We held a meeting with the Association of Mortgage Lenders, where representatives from financial institutions were represented.

"It was agreed at that

meeting that a working committee, which will look into problems, should be established."

Mr Hugh Maclachlan of Nedperm said: "It is true that we have a working arrangement with Cast and the MLA. And I have to stress that it is not our policy to repossess houses from bondholders.

"We have, however, been forced by circumstances and have also given all those in arrears very long periods to recover."

More than 100 notices were last week published in *The Star*.

Homeowners tap mortgage bonds for quick cash

STAR 12/12/91

123

By Derek Tommey

This has been a tough year for South Africans, with recession, inflation and high taxes eating into their incomes.

But these upsets have not stopped — and might possibly have encouraged — them to borrow a record amount of money in mortgages from banks and building societies.

Figures in the latest Reserve Bank bulletin show that they increased their mortgage debt by R7,5 billion in the first nine months of this year, bringing it to a record R61,8 billion.

This increase in outstanding mortgages in the nine-month period compares with increases of R7,1 billion for the whole of 1990 and R7,2 billion for 1989.

But while South Africans have been whooping it up with mortgage money, they have been much more restrained in making use of other forms of credit.

The Reserve Bank reports that the 12-month rate of increase in HP credit and leasing finance declined from 17,4 percent in December 1990 to 11,5

percent in September this year.

At the same time, the 12-month rate of increase in outstanding balances on credit cards dropped from 32,2 percent in December 1989 and 19,1 percent in December 1990 to only 15,2 percent in September 1991.

The Bank attributes the relatively high growth in mortgage advances in part to slower repayments of capital occasioned by tight financial conditions.

It also suggests that some homeowners — especially those whose houses have appreciated in price — have been borrowing back against their houses to finance purchases such as cars.

The Bank says the lower capital amounts commercial banks have to keep against mortgage loans could have induced some of them to promote this form of credit extension.

A banker said yesterday that because the rate of interest on mortgage loans was so much lower than on HP and leasing credit, it clearly paid anyone in need of credit to raise a loan on property where this was possible.

It has also been suggested that political uncertainty and the possibility of wealth redis-

tribution has led many housebuyers to being in no hurry to repay loans on their houses.

An added inducement is the expectation in many quarters that the government of a new South Africa will follow highly inflationary policies and seriously erode the value of money.

This would make it easy to repay outstanding mortgages. So, the argument goes, there is little to be gained by repaying these mortgages now.

Ignoring interest subsidies, the latest mortgage figures indicate that South Africans are now paying R12 billion a year in interest on their house loans, and probably a further R8 billion in capital repayments.

This compares with R10 billion in interest payments and about R5,8 billion in capital repayments last year, R8,7 billion in interest and R5 billion in capital in 1989 and R6 billion and R6,4 billion in 1988.

The sharp increase in capital and interest payments on houses in the past three years helps show why South Africans generally have had to tighten their belts so severely.

Community must provide housing

Sowetan 12/12/91

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OLD Mutual recognises the need for investment in so-called socio-economic development and believes this is the responsibility of the whole community.

Speaking at the 146th general meeting of the company, the chief operating officer, Mr Gerhard van Niekerk said the company could make funds available for low-cost housing and other socially desirable investments, but this would have to fall within its broad responsibility towards members.

Security

He said: "Money entrusted to Old Mutual are investments which require proper security and market-related returns. Our two million members are ordinary people - many do not even pay tax because they fall below the minimum income threshold.

"So for risky loan investment, the risk must be borne by the whole community, not by our members."

In his address chairman Mr Mike Levett said one way of achieving this would be for the Government to guarantee the payment of capital and interest of such investments.

Property Reporter

In this way the entire community would take responsibility.

"In providing guarantees, the Government should satisfy itself that projects are suitable and deserve the use of scarce capital. Such loans would in effect be off-balance sheet borrowing by the Government and could well be considered as an extension to the budget."

Levett said assurers were not organised to manage large numbers of small investments such as home loans or small-scale entrepreneurial developments.

Services

"There are, of course, many organisations to provide such services, such as banks, building societies, Development Bank of SA, IDT, Urban Foundation and the SBDC."

These were agencies which should be looked at for channelling available finance, he said.

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House prices holding up reasonably

House prices nationally are holding up reasonably well, with middle- and lower-priced suburbs outperforming high-priced ones, says the BER.

Regionally, Pretoria houses prices are still depressed in comparison with other areas, except in the lower-price class. Prices for upper-bracket houses took a particularly hard knock in the sec-

ond quarter, it says.

By contrast, Durban and Port Elizabeth house prices showed strong growth across all price classes. Growth has been extraordinarily good for the past two quarters, particularly in Port Elizabeth.

The Cape Town market seems to be going through a period of consolidation, but the one trend that can be per-

ceived across the board for house prices is the consistent strength at the lower end of the market.

Flats rentals are on average moving up, a pattern that is prevalent countrywide across all sizes of flats. Demand for flats remains high, with vacancies at under one percent.

The residential market remains relatively healthy, with demand for

rented accommodation and strong house-price growth in the lower-price classes.

"The overall impression is one of a market just hanging on and waiting, not only for the economy to turn, but also to weather the lag that exists between the upturn in the economy and the attendant upturn in the property market," says the BER. — Sapa.

STAR 12/12/91

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Residential
letting market
is vast, says
Dallaway MD

PETER GALLI

THE problem most young people have in not being able to afford a house and their consequent need to rent has created a prime market for investors, says MD Ian Gibbs. "Investors are snapping up good residential properties, as the letting market for these properties is vast."

Young people, unable to buy a home and faced with a shortage of flats, were looking for homes to rent, he said.

A good example of this is Dallaway's latest residential development which was sold out to investors, off plan, in just two weeks.

"The local investor is more sophisticated than ever before, and is identifying the huge potential the residential market offers. He is no longer concerned about buying off plan as he is able to visualise the development as a result of his experience in the market," Gibbs says. "The difficult economic climate has seen more and more developers sell their developments off plan as the building and holding costs of erecting showhouses were not viable in the present economic climate."

Security

Dallaway Properties has been in the residential market for the past 18 months and all developments are carried out in conjunction with Ovland. The link with Ovland gives Dallaway financial backing and security, says Gibbs. "Another move is to smaller, more compact homes that offer the buyer security and an excellent quality of life. It is no longer practical to build large homes, as demand for these is limited." Gibbs says developers have the responsibility of anticipating people's housing needs. As most homebuyers have to push themselves to their financial limits, it is proper to expect a well-built home that is properly finished by the time they take possession. "We have used this philosophy as the basis for all our developments. We are looking at further residential developments along the same lines and are considering developments in southern Africa and abroad as well."

FNB supports scheme to secure home loans

~~WILSON ZWANE~~ WILSON ZWANE (123)

ONE of SA's leading banks yesterday indicated it would back the plan by the National Stokvels Association of SA (Nasasa) to invest stokvel funds into unit trusts, to serve as collateral for home loans.

FNB senior GM Jimmy McKenzie said yesterday the plan was excellent and his bank supported it. The bank would "certainly consider accepting unit trust certificates as collateral for home loans", he said.

Should the scheme get off the ground, it would make people in the low-income category "bankable" by enabling them to acquire assets and build up a track record of payment, McKenzie said.

SA Perm housing GM Denis Creighton said he had no "informed comment" as the building society was still looking into the matter.

Wesbank senior GM Neville Nightingale, whose bank is financing minibus taxis by using stokvels, was not available for comment yesterday.

Nasasa president Andrew Lukhele said this week his association planned to alleviate the black housing crisis by diverting a sizeable proportion of stokvel money from commercial banks to unit trusts.

Trust certificates could be used as collateral.

A key feature of the unit trust concept was that the financial risk would be taken away from the bank and assumed by the stokvel. "The bank will be lending money to the stokvel rather than individuals. Stokvel members will then ensure loan repayments by means of peer pressure," he said. *B (Daw) 20/12/91*

The scheme is the brainchild of Nasasa and Trem-sen Brokers Services — a private company rendering financial advice to the informal sector.

Lukhele said financial institutions were reluctant to lend money to township residents, citing violence and non-payment as reasons.

By TERRY BETTY

THE OUTLOOK for property in 1992 seems as bad as 1991 turned out to be.

The upturn is expected to begin in earnest only in 1993.

Camdon's Group managing director Scott McRae says property has endured the toughest year since the 1976 Soweto riots.

Mr McRae believes that house prices will move sideways next year and possibly fall even further because sales will be low.

Pressure

Negative factors influencing the market include VAT on sales of houses by developers, rising building costs, the depressed business climate and falling disposable income caused by inflation and heavy taxation. These factors place home-owning beyond the reach of many.

"Above all, high interest rates are the crippling factor militating against a recovery of the market," says Mr McRae.

"Under the pressure of these influences the property marketing business is going

Repeat of poor property market forecast for 1992

through major structural adjustments. This is shown by pressure on commissions, repossessions, rationalisation of both numbers of agents and branches and a 'rush for cover' into bigger groupings such as referrals and franchise networks."

In spite of all this gloom, there is still room for optimism.

Mr McRae says prices have softened but have not gone into free fall as might have been expected.

Factors underpinning the market include inflation, growing foreign interest in SA and the realisation by South Africans that property remains the soundest long-term investment.

Real Estate Surveys property economist Erwin Rode says the residential sector is the only one still alive and kicking. Flat rents and house prices are generally rising in

line with inflation.

The exception is upper-priced houses (above R300 000) where the growth rate is slowing down relative to the middle- and lower-priced market. This is expected to continue next year.

Mr Rode says this is probably caused by a correction. In the previous economic upswing upper-priced houses far outperformed the other two categories.

But this trend has been reversed. Middle- and lower-priced houses show the great-

est strength, in many cases outstripping inflation.

Mr Rode says flat rents are expected to grow at the same rate as inflation next year because they generally move in tandem with house prices.

Rents are buoyed by the lack of accommodation and little building of flats. Most flats have been sold on sectional title.

Mr Rode says rents should be double what they are now. They are at present levels because of decreased demand arising from the fact that

many employees receive subsidised bonds.

The shortage of rentable accommodation will continue until it becomes profitable to build flats. That can happen only when demand rises.

Mr Rode says this will happen once it is acknowledged that it is better to receive a cash payment than a housing subsidy.

Mr Rode expects this trend to emerge in the next few years because fringe benefit tax has been fully phased in on subsidised bonds.

S/Times

(BUS) 22/12/91

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TOM HOOD
Business Editor

HOUSES could be sold for as much as 20 percent less if red tape and all other delays were cut out, says Mr Johan Viljoen, president of the Institute of Building.

Some of the processes which add high interest rates to the basic costs of building, he said, were:

- The obtaining of local and other authorities' approval for rezoning, proposed developments and designs.
- Delays by the deeds offices.
- Delays caused by the legal profession.
- The obtaining of employers' guarantees on loans.
- The time taken by buildings societies and other financial institutions to process finances.

"The tragedy of the situation is that increased interest rates resulting from these delays hit even the developer who has done his marketing thoroughly and is able to move his buyer into the premises the day he completes them," said Mr Viljoen.

The institute was also concerned about the high price of the interim interest that has to be capitalised in development projects.

There was a strong feeling in the institute that any person responsible for holding up the processing of documentation for building work should be made responsible for the capital interest costs for the delays he causes.

Mr Viljoen said the protection of the consumer and building public could become a reality when a Code for the Building Industry was drafted by the Business Practices Com-

mittee under the guidance of Professor Louise Tager.

The minister, said Mr, Viljoen, fully supported this proposal and saw it as vital for the protection of the consumer.

A factor on which the new code was likely to insist was that all building services must have a back-up remedial and maintenance service.

It was also likely that protective import duties and cartel and monopolistic situations would be "removed".

Suppliers to the building trade were likely to find that they were among the sectors most closely monitored.

Mr Viljoen was speaking after a meeting between the institute and Dr Org Marais, Minister of Trade, Industry and Tourism and senior members of the Building Industries Federation of South Africa (Bifsa).

He said a major source of concern to those at the meeting was that the building industry still has a poor public image.

The institute and Bifsa believed that this was primarily due to the informal sector, which often operated irresponsibly.

Any individual could enter the informal industry, set himself up as an "expert" and quote a low price which the client could not resist, even though it might be impossible to carry out the work for that price.

"This type of builder tends to disappear halfway through the project with a substantial sum of the client's money and many unpaid sub-contractors.

Red tape pushing market up by 20 percent, says institute

HOUSE PRICE SHOCK

123

the user's home. The advantage of the system was that the user bought only as much electricity as he could afford.

Municipalities were making use of this system, and in Durban a plan had been

burg City Council had convened a group of 10 officials to advise hawkers on a one-to-one basis, and intended to expand this programme into other areas at a later stage.

Eskom to connect 160 000 households

ESKOM has committed itself to increase the number of households connected next year to 160 000 from this year's 40 000.

At a recent electrification conference in Germiston, Eskom said this rate would enable it to connect all households in its area of supply by 1996. The utility estimated 700 000 homes in its domain had no electricity. (240) (123) (200) (50)

This left 2,3-million unconnected houses which fall under other supply authorities such as homelands and municipalities.

An Eskom spokesman said the estimated R6bn cost of the Electricity for All programme was calculated by using an average connecting cost of R2 000 per household and a figure of 3-million unelectrified homes within reach of its grid.

13/ Dec 91
ROBERT LAING 24/12/91

The power utility had already allocated the required resources, including funding, to meet its 1992 target of 160 000 homes.

Eskom would not increase its work force, instead using consulting engineers and contractors to supplement its staff. Whenever possible, Eskom and contractors would use local labour.

Contractors were invited to introduce themselves to their nearest Eskom district to keep informed about opportunities and bid for projects.

According to a study by Prof Geert de Wet of Pretoria University, the electrification of 1-million households over five years could create 270 000 jobs and add 5% to SA's GDP.

Schemes to bring light to everyone

31 Day 24/12/91

DAVE LOURENS

ALTHOUGH most South Africans can afford electricity, it remains unavailable to about two-thirds of the population, says the SA Institute of Race Relations.

In its latest Social and Economic Update, the institute noted homes without electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half that cost.

In addition, almost 81% of the Department of Education's 7 845 schools did not have electricity, thus limiting their potential to provide a well-rounded education programme, including audio-visual aids or technical education involving electrical tools.

Card

The Update said both the National Energy Council and Eskom aimed to provide energy to all South Africans, and Eskom hoped to supply 80% of the population with electricity by the year 2000.

The pre-paid meter, known as the budget energy controller, was widely accepted as an alternative means of electricity supply. The system operated with a disposable magnetic card slotted into a meter box in the user's home. The advantage of the system was that the user bought only as much electricity as he could afford.

Municipalities were making use of this system, and in Durban a plan had been

introduced to electrify every home within its boundaries, including shacks, within the next five years, using the budget energy controller. It was hoped that by 1996 168 000 homes would be electrified.

Update said one system Eskom was considering to provide electricity to communities in areas without access to the national grid was Remote Area Power Supplies (Raps), which would generate its own electricity by making use of either conventional electricity or a hybrid of energy sources such as solar power, diesel generators, and wind and hydro turbines.

Farmers, rural schools and clinics and individual dwellings were seen as the potential market for Raps.

The publication's business section noted that in March this year government had estimated the informal sector was growing at 8% a year, while further research indicated the number of people involved in the informal sector on a full-time basis had increased by 20,5% between October 1989 and October 1990.

Consequently the job creation possibilities in the informal sector were of increasing importance.

The publication noted that the Johannesburg City Council had convened a group of 10 officials to advise hawkers on a one-to-one basis, and intended to expand this programme into other areas at a later stage.

Eskom to connect 160 000 homes

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Workmen busy laying cables in one of the major electrification projects in the country. But still there are millions of South Africans who don't have electricity.

ALTHOUGH most South Africans can afford electricity, it remains unavailable to approximately two thirds of the population, according to the SA Institute of Race Relations.

The institute's latest Social and Economic Update 17 states that homes without access to electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half the cost.

In addition, almost 81

No power to the people

percent of the 7845 schools under the administration of the Department of Education and Training did not have electricity, which limited their potential to provide a well-rounded education programme, including audio-visual aids or technical education involving electrical tools.

Both the National Energy Council and Eskom aim to provide energy to all South Africans and Eskom

hopes to provide 80 percent of the population with electricity by the year 2000.

Update also reports that pre-paid meter known as the budget energy controller had been widely accepted as an alternative means of electricity supply.

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Supplies system, which would generate its own electricity by making use of either conventional electricity or a hybrid of energy sources such as solar power, diesel generators, and wind and hydro turbines.

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The publication noted

123



Most blacks are without electricity

Sowetan 27/12/91

that the Johannesburg City Council had convened a group of 10 officials to advise hawkers on a one-to-one basis, and intended to expand this programme into other areas.

The council had also erected folding shelters in the city for hawkers, and had encouraged private enterprises to make storage facilities available for hawkers' wares in the CBD.

In Natal, further assistance had been given to hawkers in the informal sector through loans from the KwaZulu Finance and Investment Corporation. These KFC micro loans

were aimed at small industrialists in the informal sector or moving into the formal sector.

Update also reports that applications for over 40 million shares in National Sorghum Breweries were received from about 9 000 distributors, consumers, members of the general public and employees, almost 90 percent of these applications coming from the black community.

According to Update, the privatisation of NSB, now the single largest black-owned company, could have important implications for the process of

black economic empowerment.

"This is the only business entity which affords an opportunity for participating as owners, controllers, managers, directors, shareholders and distributors in a major company."

The publication reports that the kombi-taxi industry has increased its share of commuter transport from 29 percent in 1987 to 44 percent in 1990, with the Southern Africa Black Taxi Association cornering 58 percent of the total kombi taxi market.

"But the industry has been hit by increasing costs of petrol and spare parts, as well as a rise in the price of new minibuses. As a result, owning a taxi is no longer the 'money-spinner' it used to be in the early 1980s. As commuters are unable to afford increased fares, profits have decreased."

A transport consultant, Mr Paul Browning, told Update that the average monthly income of taxi owners had decreased from between R2500 and R3500 per vehicle owned to between R1500 and R2500.

Residential property

STAR 27/12/91 (123) (S)

Considering all the negative factors arrayed against the residential property market, prices held up remarkably well in 1991 for sellers who valued their homes realistically.

Politically inspired violence, uncertainty and resulting apprehension, nervousness and fear conspired with depressed economic conditions, high interest rates and a heavy personal tax burden to make the SA property market in 1991 one of the toughest ever.

However, it's essential to distinguish between a "tough" market and a "bad" one.

The latter existed in 1977-78 and 1984-85 when sellers achieved significantly less for their homes in actual rand terms than they had paid a year or two before.

This was not the case in 1991. At worst, sellers achieved the prices they paid in 1989 or 1990 but in many cases did better.

The property market moved in the same general direction as the economy but, all things considered, held up remarkably well.

Economic recession in itself was — and is — not the problem. Rather, it is sellers' attitudes.

Though many are aware of South Africa's fundamental difficulties, they have been unwilling to accept that their expectations are out of step with reality.

Citing inflation, the demise of the Group Areas Act and other factors, sellers have continued to escalate the value of their homes.

Accordingly, a vast number of properties have been put on

OUTLOOK '92

Eskel Jawitz, managing director, Eskel Jawitz JHI Real Estates, sees a year ahead full of "ifs" for property but exciting prospects in the medium to long term.

show week after week without any real hope of achieving asking prices.

In today's environment, sellers have two options: either accept the market reality or reject it.

Unfortunately, too many on the Reef have chosen the latter route and consequently over-priced their properties.

By contrast, level-headed sellers have achieved acceptable prices and have not had to give their houses away.

As regards the outlook for 1992, the Reserve Bank's anti-inflation measures will continue to bite deep and this suggests that some relief in the form of lower interest rates will be forthcoming.

However, by all accounts mortgage rates will not fall below about 17 percent next year and it is debatable whether this will cause a sharp upswing in the economy.

The outlook for 1992 is full of "ifs".

If violence is controlled, if interest rates fall, if multi-party constitutional talks progress, and if SA receives significant foreign investment, 1992 will be a marked improvement on 1991.

Though the immediate future is likely to be problematic, the medium-to-long-term outlook is exciting.



Red tape adds to house costs

S/Times (B-155) 29/12/91 123

THE cost of houses could be reduced by as much as 20% if the red tape required for plans to be passed and loans to be granted was abolished or reduced to a minimum, according to the SA Institute of Building (SAIB).

A meeting between Trade, Industry and Tourism Minister Org Marais and members of the Building Industries Federation of SA (Bifsa) and SAIB was told that the cost of housing could be far lower if delays were reduced.

Delays increase the cost of building by adding high interest rates to the project.

SAIB president Johan Viljoen says the need to obtain a local authority's approval for rezoning, proposed developments or designs as well delays in deed offices add to the cost of homes.

Other factors include delays caused by the legal profession, obtaining employers' guarantees for loans and the time taken by financial institutions to process advances.

Mr Viljoen says: "The tragedy of the situation is that the increased interest rates resulting from these delays hit even the developer who has done his marketing thoroughly and is able to move his buyer into the premises the day he completes them."

Also on the agenda was the protection of the buyer and the builder. This could become a reality when the code for the building industry is drafted by the Business Practices Committee.

Dr Marais supports this proposal, according to Mr Viljoen.

HOUSING & HOSTELS - GENERAL

1992

JANUARY - APRIL

OUTLOOK '92

Housing in crisis

By Gavin Hardy
executive director
Murray and Roberts
Construction (Housing)



Gavin Hardy.

STAR 2/1/92

With 1991 now behind us, it is worth taking stock of developments of the past year and looking forward this new year, which in many ways will be a turning point for the South African housing industry.

Last year's highlights included the repeal of the Group Areas Act, establishment of the Independent Development Trust (IDT), restructuring of the Urban Foundation, a visit by representatives of the World Bank and the mooted of a National Housing Strategy.

These events happened against the backdrop of further economic decline, unprecedented violence, high interest rates, a squeeze on credit and subsidies, increasing politicisation of housing and a severe downturn in the number of business opportunities in the housing industry.

Faced with these problems, many players suffered horrific losses. Others simply withdrew from the housing arena. Those remaining private sector players have increased their support for their association (NAHB) which has redoubled its efforts to develop solutions.

Still, the reality of South Africa today is that fewer and fewer houses are being delivered.

The ravages of inflation, economic stagnation and higher costs as a result of VAT have further battered less fortunate consumers' ability to afford housing.

This scenario appears to have prompted the various industry players to go into stall mode, waiting for the De Loor task group's recommendations for a NHS which, hopefully, will signal the beginnings of an upturn.

What little State money is made available for "urbanisation" increasingly favours Government and quasi-government development organisations at the cost of the private sector.

Partnership

One can only hope that these organisations will soon realise that the housing crisis is too vast and too pressing to be tackled in splendid isolation.

The truth is that the State needs the private sector in order to solve the housing problem, and a mutually satisfactory partnership arrangement is both vital and long overdue.

less fortunate.

There are other major areas of concern that must be addressed through a combined public and private sector effort.

Perhaps the most vexing is the issue of housing affordability. A very large and growing number of South Africans cannot afford to buy a conventional home without a subsidy.

This problem has to be addressed from the point of view of providing financial assistance and developing innovative products to provide shelter for the needy.

It is worth bearing in mind that no solution to this problem will be forthcoming while disposable income continues to decline, especially at the lower end of the market.

Of major concern is the reluctance of the vast majority of private sector institutions to develop mortgage finance instruments for informal housing (below R12 500), because of perceived risk.

Given that at least 60 percent of blacks cannot afford a conventional home, this state of affairs cannot continue.

Attention must also be given to reducing the bureaucracy that is stifling the housing delivery process, and to formulating an effective, co-ordinated housing policy and strategy.

In this regard we look forward to the publication of the De Loor task group's findings.

Not all recent developments on the housing scene have been negative.

The scrapping of the Group Areas Act and formulation of a concerted housing strategy are among the positive moves, as are the "site-and-service" programmes initiated by the IDT, Transvaal, Natal and Cape provincial administrations, House of Delegates and House of Representatives.

These projects are laudable efforts to assist the poor. However, development agencies must remind themselves of the need to plan for the numerous and diverse needs of the community, not just their immediate need for shelter and the need for a balanced community across a spectrum of affordabilities.

It is unfortunate that more and more government and quasi-government organisations are operating as developers (at a cost to the taxpayer) and to the detriment of the few remaining private sector developers.

It is also clear that the housing delivery process is in desperate need of a re-think.

To get the show back on the road requires either immense Government intervention or a radical freeing up of the environment to allow easy and effective participation by the private sector.

Further, the housing delivery process must be de-politicised as a matter of urgency, as a continuation of the present situation will further discourage pragmatic businessmen from becoming involved.

As with sanctions, the politicising of housing is hurting the

Home buyers lose out on interest payments

MANY home buyers' were not being paid interest on deposits for properties they were in the process of buying, industry sources said at the weekend.

The position was also applicable to people who paid deposits for the leasing of flats or houses, they said.

"Unscrupulous estate agents are failing to inform home buyers that they are entitled to interest paid on any deposit placed when renting or buying property," one source said.

An agent, speaking on condition of anonymity, said there was no binding obliga-

tion on estate agents to inform consumers that interest was payable on these deposits, either until transfer took place or the lease was terminated.

"If the lessee/purchaser is unaware that he is entitled to any monies when paying his deposit, this money will automatically be paid to the agent and the board in an equal split," he said.

Estate Agents' Board assistant manager Clive Ashpol said unless there was a written agreement, interest was legally pay-

able to the Estate Agents' Board in full.

"This money is placed in a board fidelity fund, to be used for the protection of the consumer should any of his monies be misappropriated by the agent.

"However, due to the high costs to the agent of maintaining a trust account for deposit monies, the board had resolved to return 50% of any interest received to the agent," he said.

A major property dealer said home buyers should insist that interest payment at a fixed rate be made at the time of signing

To Page 2

Home buyers

an offer-to-purchase agreement. This could be negotiated with the agent, but should be written into the agreement, he said.

A property consultant said the situation "smacked of planned deceit" on the part of the Estate Agents' Board.

However, Ashpol said the board did everything in its power to protect the interests of the consumer.

"We have a recommended offer document that covers the issue of interest pay-

able on a deposit, but this document is not enforceable on agents."

He said the board had submitted a new code of conduct to the Department of Trade and Industry, which imposed an obligation on the agent to make full disclosure to the consumer.

This would hopefully be approved by the department and come into force early this year. However, the board had no powers of restitution and was able to deal only with ethical and disciplinary matters.

From Page 1

en guests visit-
er, 60,8% were
1,2% — came

increase in visitors
from 14,1% in 1990 to 18,4% in 1991.
Cape Peninsula hotels recorded a
3,8% drop in bed nights sold — 20,6%
in 1990 compared to 16,8% last year.

broken the forum's trust and
Azayo "decided to do something
about it", Mcerwa said.

Duncan warns of threat to property rights bill

61 Day 6/11/92

(123)

GAVIN DU VENAGE

A BILL of rights guaranteeing private ownership of property would be useless unless the homeless millions in SA were adequately provided for, Black Sash advice office co-ordinator Sheena Duncan has warned.

Writing in the latest edition of the organisation's journal, Sash, Duncan says such a bill of rights runs the danger of being ignored and overthrown, however valuable its provisions.

She says despite the repeal of the Land Acts and the Group Areas Act, more than 86% of land remains in white control.

She goes on to raise the possibility of provisions in a bill of rights which would compel owners of unused land to grant leasehold tenure on such land.

Much of the ground owned by white interests is not used, and is being kept for investment purposes or as a tax advantage. Duncan asks if any person has the right to own land which is not used, and to seek constitutional protection to keep out people who need it.

She questions the right of protected ownership of property that can be seen as having been taken from others — people who had no legal protection and no rights to reparation.

Duncan believes the debate should begin by looking at the fundamental right to adequate shelter — loosely defined as protection from the elements and security of tenure. Establishing a legal system based on the present situation would perpetuate past injustice and almost certainly doom the efforts of a democratically elected government to meet expectations.

Instead, she calls for creative approaches to the problem, means that exclude nationalisation which Duncan describes as expensive and unproductive in the long term.

The difference between ownership and usage must be recognised. In traditional African culture land is communal property, allowing tenants to make use of it productively while enjoying security of tenure.

Homes market revival in '92, says economist

THE residential property market is expected to revive strongly this year and next, says building economist Medium-Term Forecasting Associates (MFA).

MFA offers two reasons for its forecast upturn. The first is an expected drop in the prime interest rate by as much as 2% this year.

The second is a carry-over of a few billion rand earmarked for low-income housing by the Independent Development Trust and foreign and local institutions.

MFA points out that residential and non-residential building activities have diverged in recent years.

It says the nonresidential property market has experienced strong growth in the past three years, while the housing sector has experienced a downturn.

High mortgage rates raised the cost of housing. The only growth sector in an otherwise bleak private housing picture was townhousing.

In contrast to forecast growth in the housing market in 1992/1993, the Stellenbosch-based MFA sees a sharp reduction in the growth of the nonresidential property

sector in the 1991/1992 period.

The envisaged fall-off stems from rising vacancy levels in the commercial sector, while the scarcity of new work is reflected in growing competition for tenders.

As a result, tender values have risen more slowly.

Other indicators of the fall-off in non-residential building activity include more freely available skilled labour and a smaller shortage of building materials.

MFA's viewpoint of the domestic economy is positive.

It suggests the upswing started in the fourth quarter of 1991 and lists the following factors as reasons for its conclusions: a continued rise in gross gold and foreign reserves and improved business confidence.

More speculatively, it forecasts a decrease of about 2% in prime interest rates and a fall in inflation to 12% by the end of the year. It also foresees controlled growth of money supply and an expansionary March Budget.

22 123
B/Duty 7/11/92
ANDREW KRUMM

Expropriation Bill

A BILL providing for increased compensation for expropriation has been published. (23)

A memorandum attached to the Expropriation Amendment Bill said that the solatium paid for the disruption and inconvenience of expropriation was calculated at 10%, with a maximum of R10 000 of the market value component of the compensation.

The Bill proposed that the solatium be enlarged and calculated on a sliding scale beginning at 10% of the first R100 000.

B1007 8/11/92

Transnet's home loans for workers

Soweto 9/11/92



By JOSHUA RABOROKO

TRANSNET has granted about R230 million housing loans to its employees in a bid to satisfy its workforce.

In his annual report, chairman Dr Marius de Waal says by the end of the financial year 55 per cent of the workforce shared housing benefits.

He says loans of up to 100 percent of the purchase price of the properties are granted, while costs such as bond registration and transfer duties are covered by additional loans.

During the financial year under review, various things were achieved like:

- Following a two-year preparation period, a new, more flexible bond scheme was launched.



MARIUS DE WAAL

Formerly, housing units were registered in the company's name and served as its security. Under the new scheme, the property is registered in the employee's name while the company registers a first bond against the property;

- All housing offices country-wide were linked by computer - this increased productivity and

improved control and service.

- R400 million for the purchase of homes has been allocated to employees in lower income groups. In the year under review alone, 384 houses were purchased at an average of R24 000 a unit and some 1 500 stands were made available.

De Waal says there were two historical projects launched during the year:

- At Wattville on the East Rand, 223 residential stands were made available. This was the first extension to the town in 35 years; and

- At Doornkop, in Soweto, 1 100 stands were bought. It is expected that 700 houses will be completed by the end of the 1991/92 financial year.

HOME LOAN RATES

FM 10/1/92

No free fall ahead

123

The money market started the new year on the same bullish note it closed the old. Expectations about a fall in Bank rate — the official rate at which the central bank lends money to banks — range from “later this month” to “before the Budget in March.”

The rate on three-month BAs fell to 16,35% on January 3 from 16,4% throughout December, while the rate on 12-month CDs dropped from 16,8% on December 31 to 16,6% on January 3 where it remained at the start of this week.

The bond market, which was bearish for a considerable part of last year, is now in a happier mood and the mini bull run, which started in October, has not petered out. The benchmark Eskom 11%, which peaked at a closing 16,94% on October 22, fell from a 1991 close of 16,25% to 16,15% on January 3.

Home-owners are wondering whether the benefits will spill over into the mortgage loan market. Having endured high nominal interest rates for several years — they are now 18,95%-21,25% — borrowers are hoping a more relaxed time lies ahead.

Over the past 10 years, interest rates charged on home loans have changed direction sharply several times. From 9%-11% in 1981, they had moved to 18,25%-25% in April 1985, before plunging to 12,5% in 1986. By 1988, pressures in the financial market started a new upward spiral, pushing them to a high of 20,5%-22% by late 1989.

They have fallen slightly but the level has been boosted by the introduction of a tax on financial services introduced last year — a cost which banks have recovered from consumers.

In real terms, of course, the picture is somewhat different. Once the effect of inflation is removed from the figures, rates in 1991 averaged only 4,77%, says Absa's economic unit, down from 6,42% in 1990 and 4,86% in 1989. These figures are based on Absa's average nominal mortgage rate in

those years — 20%, 20,75% and 19,5%.

For people who bought when the nominal rate was only 12,5%, however, the adjustment has been painful.

Home-buyers who raised mortgage loans over 30 years would have paid only R10,67 a month for each R1 000 borrowed — a monthly repayment of R1 067 for a R100 000 loan. At 20,25%, they will be paying R16,92 for each R1 000, a monthly repayment of R1 692 (though in practice the sum would be somewhat lower because outstanding debt would have been reduced).

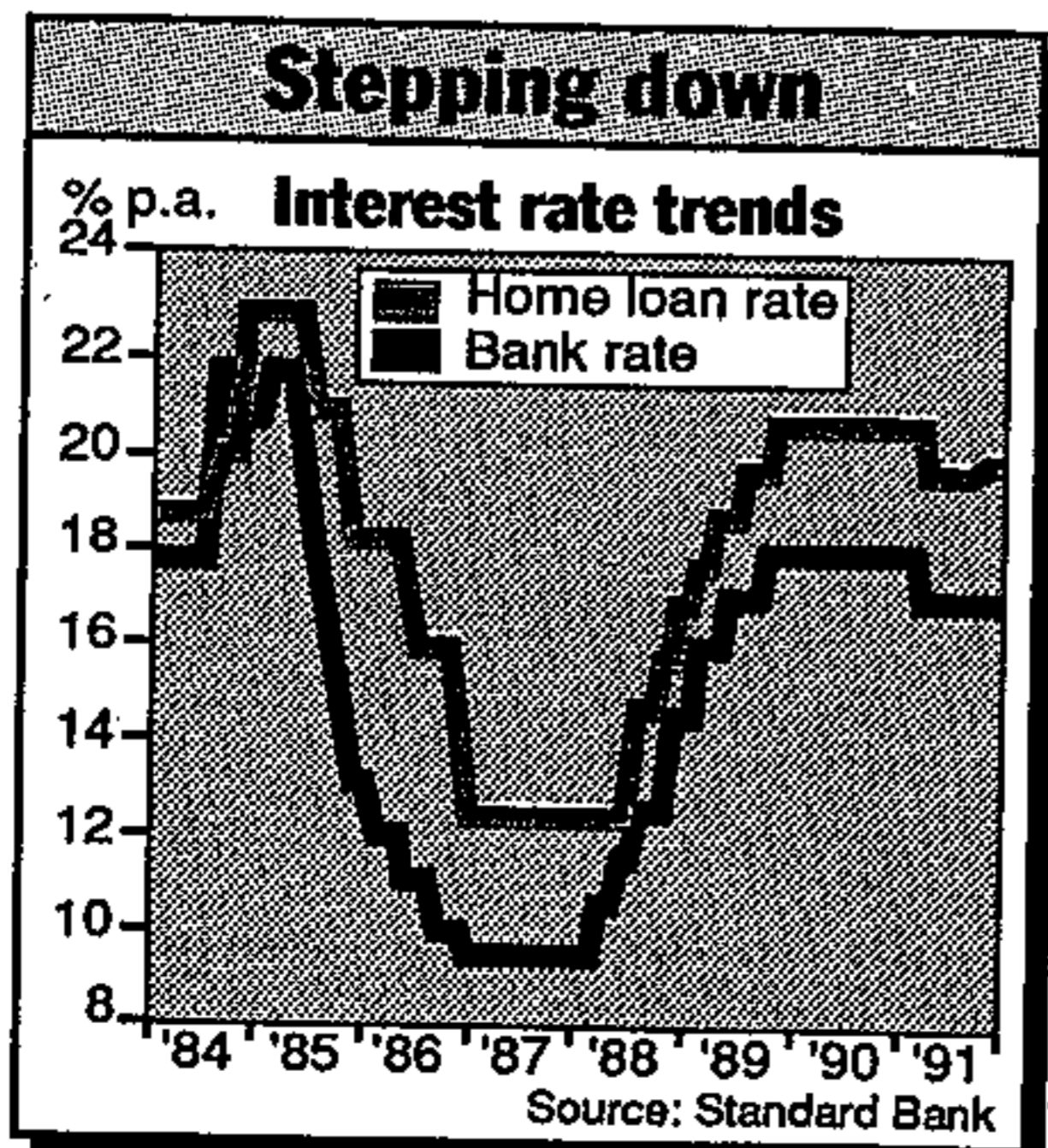
Can they now expect some material relief? The answer is not much — and certainly not to start with.

Though institutions will almost certainly take advantage of a fall in Bank rate, and a consequent fall in the pattern of interest rates and therefore funding costs, to reduce mortgage rates, they are unlikely to offer borrowers more than the expected one-percentage-point fall in Bank rate. On a 30-year loan this represents a saving of only 83c a month for every R1 000 borrowed.

A second one-percentage-point fall is expected later in the year but only the most optimistic expect a third fall. So by year's end borrowers will almost certainly be better off than now but the amount involved will be small.

There was a time when banks may have been prepared to cut their margins for a competitive edge in the market, as they did towards the end of 1986 and early 1987, but they are less likely to do this now, though margins are considerably better than during 1990.

“There are too many other worrying factors at work,” says one banker. ■



Recession bites the top bracket

81009 15/1/92
NINA SHAND

THE recession has taken its toll on the top end of the residential property market. Prices have dropped in real terms, and sellers are being forced to mark down properties to secure sales. (123)

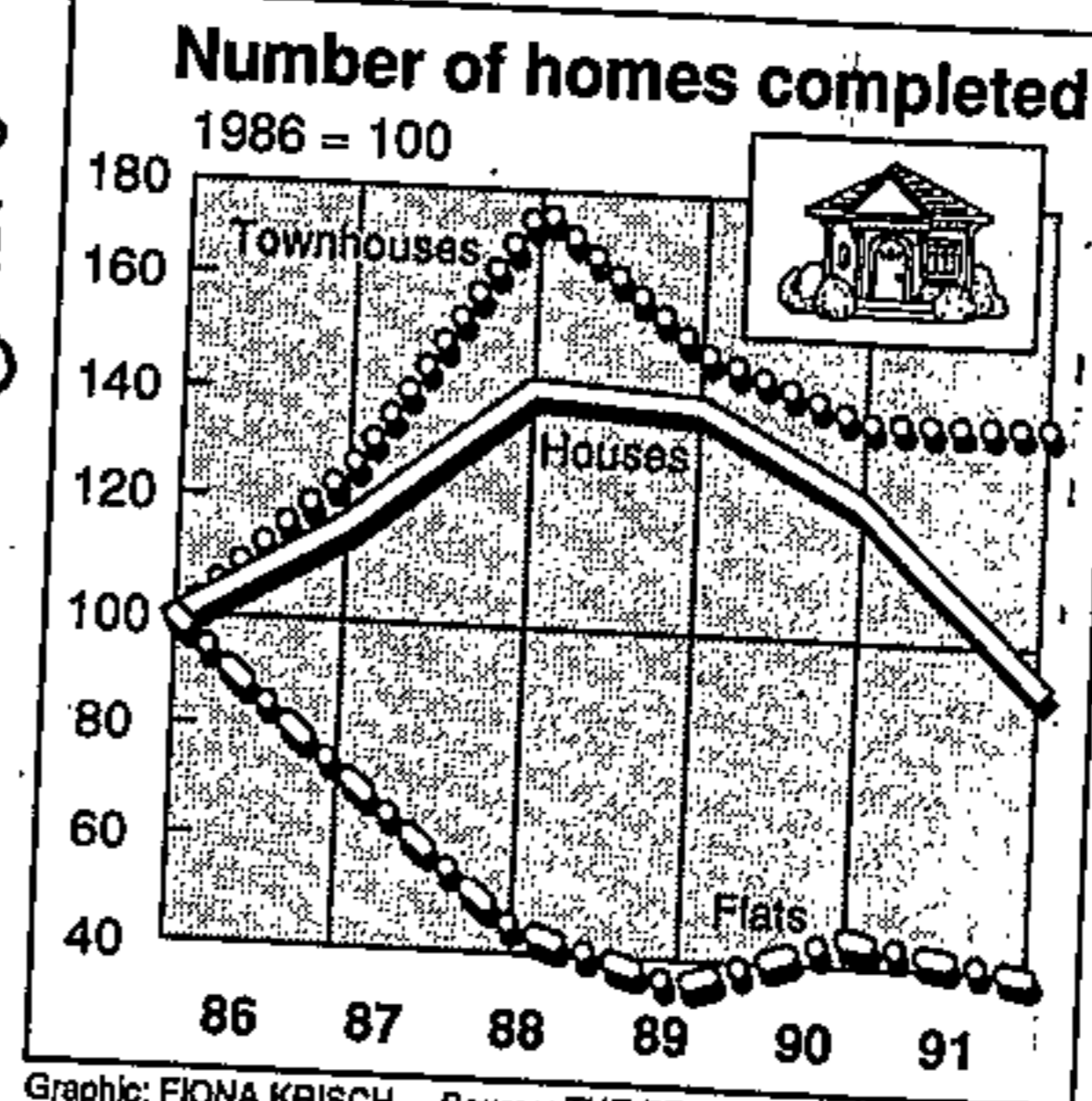
Prices are increasing at less than 1% a month, but building costs are rising at 2% a month, according to residential property analysts.

Worst-affected are houses in the higher end of the market, in which owners are being forced to drop their estimates of their house's worth. Camdon MD Scott McRae said the market was resisting overpricing.

However, two growth areas have been identified despite the depressed state of the market: cluster housing and sectional titles. Property economist Neville Berkowitz said these were popular, not only because of relatively attractive prices but for the security they offered.

Homes showing little or no increase in prices were those in the R150 000 to R250 000 bracket. Berkowitz added that building a house was 35% more expensive than buying an existing home.

McRae said interest rates should be cut to stimulate the market and provide some relief, especially for first-time home owners. Even a small drop would be a great



morale booster and have a positive psychological effect on home buyers.

There had been lots of activity during the first 10 days of January, he said, and signals for a healthy property market in 1992 were evident, but the market was "generally soft" and property analysts were not optimistic.

A spokesman for First National Bank's home loans department said he expected interest rates to drop one percentage point in the next three months, and at least two percentage points by the end of the year.

SOWETAN

Building the Nation

DEVELOPMENT

"THE demise of apartheid is a positive factor for property, but interest rates remain high and consequently market growth weak."

BY JOSHUA RABOROKO

Upturn is expected in black housing market

THE building sector before the middle of this year, according to experts in the property market.

However, the Independent Development Trust and the Urban Foundation predict a demand-driven marginal improvement in black housing.

The Bureau of Economic Research at Stellenbosch University says the industry is expected to undergo structural changes. Most of the activity, the bureau says in its report, will be restricted to the residential sector.

It says the demand for smaller houses is likely to improve while that for big houses will dwindle.

It says: "Non-residential buildings are not fully utilised, factories are running well below full capacity utilisation, there are many vacant offices and shops are also standing empty."

The Building Economist Medium Term Forecasting Association says residential and non-residential building activities have diverged in recent years.

The chairman of the South African Property Owners Association, Mr Nick Harris, predicted that financial institutions would continue to put pressure on borrowers if boycotts, unrest and violence were not stopped.

There would be a greater demand for middle

and low income housing despite the fact that the economy might not improve immediately.

Pam Golding Properties' director Mr Ronald Ennik said about the price in the middle and lower end of the market: "We feel that these have stabilised and do not anticipate any sharp increase in the coming six to 12 months."

"The demise of apartheid is a positive factor for property, but interest rates remain high and consequently market growth weak. Speculators whose short-term activities have an upward pressure on prices are likely to remain out of sight.

"Our impression on the market at present indicate that a very healthy upturn in prices can be expected in 1993 and 1994," he said.

Independent Development Trust director of communications, Mr Jolyon Nuttal, said the trust had 100 000 sites to be given to individuals to erect dwellings.

Judging from that, it was clear that there would be a large number of blacks who will build houses during the year. There was also the chronic shortage of homes, especially in the black community.

South African 16/1/92

123

Builders call for housing strategy

Bl Day 17/1/92

PETER GALLI

IT IS imperative that a workable national housing strategy and policy, and an effective system of local government to administer service and housing-related issues, be implemented, the SA Building Industries Federation (Bifsa) says.

In its latest building review released yesterday, Bifsa says a lack of bond finance and continuing violence and crime have led to the almost total withdrawal of private developers from the lower income housing market, with house-building activity remaining in the doldrums.

But while conditions in the industry remain sluggish, a significant short-term deterioration is unlikely, it says.

"The low income housing sector is the most seriously affected, mainly as a result of the lack of available bond finance after financial institutions re-evaluated the relevant risk factors applicable to this market sector," it adds.

Building activity levels, dominated by a fierce tendering environment, are expected to move sideways over the next six months to a year.

Bifsa forecasts that the building cycle will reach its nadir during the second half of 1992, with a more sustainable demand for building in 1993 and 1994, fading out again in 1995.

However, government expenditure on schools, community centres and clinics should show sustainable growth over the next five years due to current backlogs.

Other government non-residential investment will probably remain un-

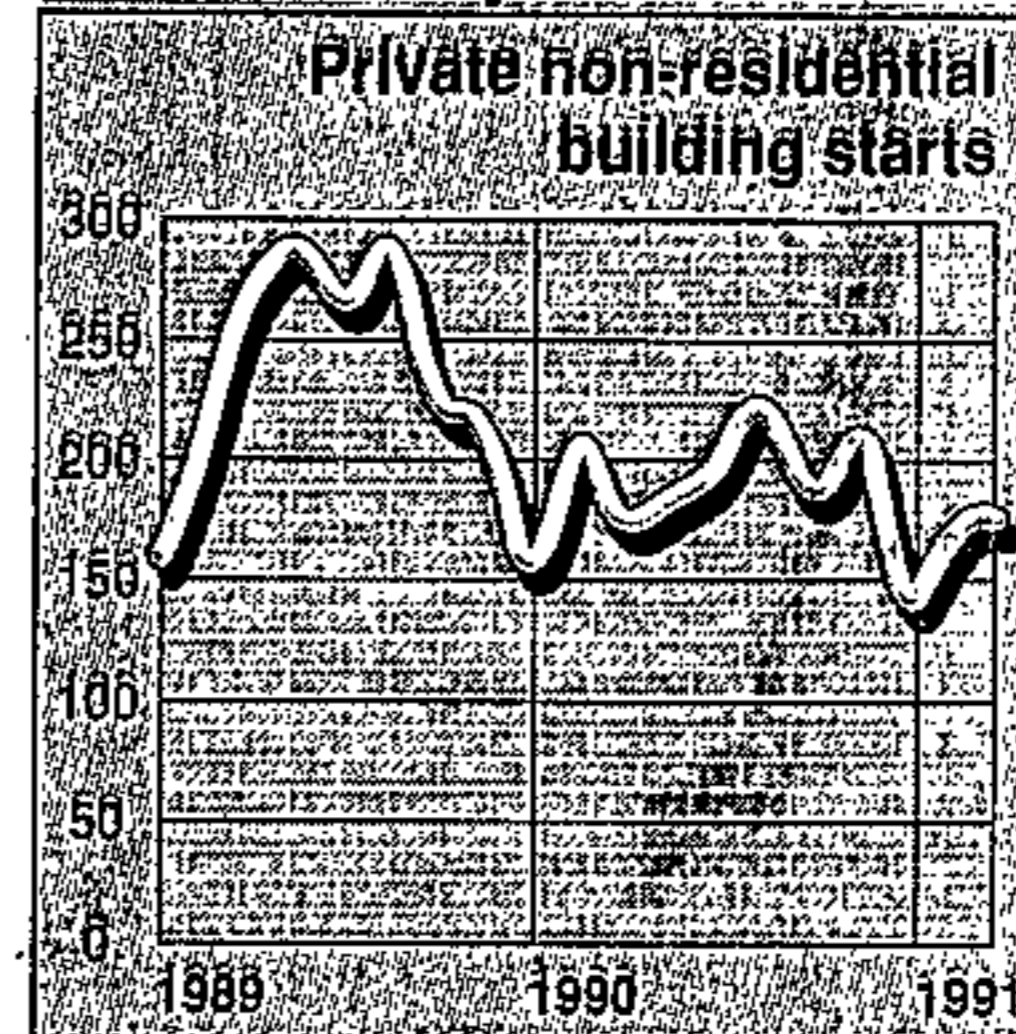
der pressure as government tries to control expenditure, Bifsa says.

"However, non-residential building activity has held up well during the current downturn, which we believe to be due to continued property development investment by life offices and pension funds in a competitive building environment," Bifsa chief economist Charles Martin says.

Government investment in educational facilities also supported the market, but to a lesser degree.

The industrial market is likely to remain weak until the economy has turned around. The office market is presently overbuilt and improved occupancies will only stimulate investment towards 1994.

"While the commercial market is in for a consolidation phase, selected investment in black areas by institutional investors remains a real possibility if the cycle of violence can be broken," Martin says.



Graphic: FIONA KRISCH Source: BIFSA

Home building hits 'unaffordable' levels

CT 20/1/92 123

SOUTH AFRICA'S home building for the "affordable" income group is grinding to a halt due to a number of problems facing the industry, says Time Housing financial director Norman Jeffery.

"Firstly, there is an entangled government housing policy, waiting for the De Looer Commission report to give it some direction.

"Secondly, the state of the economy and the high interest rates on mortgage bonds have made affordable homes unaffordable.

"Thirdly, and most significantly, the disrupted socio-political environment in the residential areas where these homes are provided has scared off the institutions which normally advance mortgage bond finance."

Jeffery says that despite a number of announcements of billions of rands being injected into socio-upliftment programmes, the pace of house building is slumping alarmingly.

"There were about 18 000 houses built in this so-called affordable market in 1989," says Jeffery. "This dropped to 15 000 in 1990 and fell to some 10 000 units this year. This is at a time when millions are homeless."

Time Housing has a 20% share of this market and is one of the last of the major developers left in this sector.

Jeffery painted a stark picture for the future for those wishing to buy homes in the R40 000 to R70 000 price range unless there were some major structural changes. He held out some hope in the De Looer Commission report on housing which is expected now to be released in February. It was originally scheduled for release in 1991.

He also criticised the decision by the Independent Development Trust to give low-cost housing capital handouts (R7 500 per unit). It is not possible to satisfy the enormous demand is creating

further expectations that cannot be met.

"In addition to creating expectations for those who also qualify for the capital subsidy and cannot get one, those who have purchased their properties previously without the subsidy are now bitter," Jeffery pointed out.

"These enormous sums of money should be used as a catalyst to stimulate investment in housing.

"Instead of granting a lump sum payment up front, it would be much better to subsidise first

time home buyers' interest costs over an extended period. This would create a much needed multiplier effect in gearing finance.

"Political unrest, violence and the non-payment of bond instalments appear to be retreating and this improved climate should reintroduce to the industry the sorely needed loan finance from the financial institutions. A number of these institutions have withdrawn from lending in the lower end of the market."

Agents told economy will come right soon

STAR 21/1/92 (58) (123)
A fillip for the property market has come from political observer Harald Pakendorf, who counters fears of a slump in house prices in the wake of future black dominance in government.

At a meeting of estate agents of the Seeff O'Riain group, Mr Pakendorf, a former editor of the Vaderland, said: "The economy will come right and by March, ANC president Nelson Mandela will put forward a totally different economic policy."

Quoting from a speech by Mr Mandela in America, Mr Pakendorf

said the ANC never doubted the importance of private enterprise as the engine of economic growth.

He also sees American moves for huge reinvestment in South Africa.

Comparing the Namibia scenario with South Africa's transitional period, he said the aftermath of independence there had resulted in a buoyant property market.

Bearnard O'Riain, managing director of Seeff O'Riain, is equally confident about prospects for the residential market nationally.

Bifsa pleads for housing strategy

STAR 21/1/92
A national housing strategy must be implemented now, says the Building Industries Federation (Bifsa).

In its Building Review, compiled by economist Charles Martin, Bifsa says: "House building remains in the doldrums with the lower income market the most seriously affected.

Imperative

"Now, more than ever before, it has become critically imperative that an equitable and workable housing policy and strategy be urgently implemented.

"Allied to this, is the introduction of an effective system of local government to administer service and housing related matters."

The federation expects improvement in the middle to upper income housing market only towards the latter half of this year.

Property & Construction

FRANK JEANS



Commenting on the "fierce tendering environment" within the industry at present, it says a further significant deterioration in business conditions generally is not expected in the short term.

"Activity levels will rather exhibit a general sideways movement over the next six to 12 months."

Looking further ahead, Bifsa sees the building cycle reaching its lower turning point during the second half of this year. A more sustainable demand for work is expected in 1993 and 1994.

Rise in building costs, which have shown a sideways movement during the year, are expected to decelerate marginally this year.

Townships a 'crime against humanity'

The Argus Correspondent

JOHANNESBURG. — British miners' leader Mr Arthur Scargill has attacked the living conditions in South Africa's townships, describing them as "a crime against humanity."

Mr Scargill, in the country to attend an international conference of coal mine workers, was speaking at a Press conference after a tour of Soweto and Alexandra.

"I was horrified by what I saw. The only way to solve the problem of the poor living conditions is to have a free non-racial democratic South Africa," said Mr Scargill.

123 ARC 2/1/92
Turning to the conference agenda, Mr Scargill accused world coal producers of manipulating the price of coal and called for an agreed international coal price.

"This will help the South African coal industry to sell its coal at acceptable international prices and help raise the wages of South African workers, particularly black workers," he said.

The "so-called cheap coal" was the result of huge state subsidies and the exploitation of workers, including children in some cases.

He attacked the safety record of the South African mining industry, describing it as "appalling".

He appealed for the introduction of a generous scheme to provide for miners and their families.

Mr Scargill hoped that this week's coal summit would see the beginning of greater co-operation between miners' unions and the formation of one international federation for all workers.

Australian miners' president Mr John Maitland said the Johannesburg conference was an indication of the strength of feeling among miners throughout the world about the need to organise themselves better and to address the crisis in the coal industry.

123
**Homeless
in need
of urgent
assistance**

STAR 22/1/92
By Michael Chester

The Government has been urged by the National Association of Home Builders (NAHB) to allocate a massive R1 650 million chunk of the 1992 Budget to special subsidies for homeless low-income black families.

Minister of Housing Leon Wessels has been told that bold intervention has become vital to reverse a disastrous slowdown in the flow of affordable new homes.

The NAHB has suggested the expenditure programme should be launched this year.

The subsidies should take two forms:

- R1 500 million a year in capital subsidies to accelerate the provision of serviced sites to no fewer than 200 000 stands every 12 months.

Momentum

A portion of the total should be channelled into the Independent Development Trust (IDT) to maintain the momentum of the R750 million scheme it has launched to provide 100 000 serviced sites for homeless families with incomes below R1 000 a month.

The remainder should be handled by the Development Bank and earmarked for homeless families whose joint incomes peaked above R1 000 a month.

These subsidies should be in a combination of schemes to finance the delivery of serviced sites or else in direct cash subsidies tied to spending on whatever sort of shelter was chosen by the beneficiaries themselves.

- R150 million a year should be ploughed into first-time home-buyer subsidies aimed at families in slightly higher income brackets — covering one-third of the interest paid on home bonds for seven years.

The NAHB estimates that this second programme would facilitate the building of at least 110 000 houses a year in the price range between R12 500 and R65 000.

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GW MN

Opportunities for restructuring local government may emerge out of the present political fluidity and the formation of Codesa. Senior researcher Kam Chetty argues that, while constitutional debates are being resolved, careful work on local government must continue. **THORAYA PANDY reports:**

WITH the formation of Codesa, there is little excuse for not formulating a uniform national framework on local government, as delays could lead to division and dissension, argues a senior researcher of the Foundation for Contemporary Research.

In a paper titled "Beyond the National Impasse", presented to the UCT Summer School, Mr Kam Chetty argued the route to strong, viable local government had to be guided by grassroots demands.

Grassroots organisations set up in response to problems created by apartheid focused their campaigns mainly on local authorities.

Major demands at the time were affordable services and a democratic local government authority.

"The second demand was an easy one because no one expected the apartheid authorities to consider it. The apartheid state showed no signs of relinquishing its power," said Chetty.

The first demand was difficult because it involved negotiations over reallocation of resources, which the white authorities were reluctant to do.

Toward the end of the eighties, moves towards the realisation of the second demand were made. This was manifested by various "open city" initiatives in most of the major cities.

"This proposal was easy to reject because it showed little potential for dismantling apartheid cities or towns," Chetty said. "Since De Klerk, conditions have altered."

Chetty said reaching local agreements was imminent but could undermine the construction of a new constitution.

'Local government is a grassroots issue'



GRASSROOTS PROTEST: Strong, viable local government should be guided by demands such as these by Elsie's River residents

Interim arrangements should have "crucial, clear and realistic objectives", and be without major implications for the national constitution.

Chetty argued for establishing a new constitution from which local government is derived. This should have clear and non-conflictual structural links with all levels of government.

The Interim Measures Act adopted last year has been widely rejected by the democratic movement.

The Act allows the current local and provincial authorities to initiate a process of negotiations over interim local government arrangements.

"A lengthy interim government phase, as proposed by the National Party at Codesa, will require interim local government solutions until the establishment of a democratic constitution," Chetty said.

This arrangement was unlikely to effectively address the urgent problems

facing black communities.

"The only way to resolve these problems is by entering into agreements with local authorities.

"The consistent trend in these negotiations, however, is the inextricable link between the local and the national," said Chetty.

The relationship between local and national government was the primary factor contributing to the stalemate in permanent local government solutions.

Although there was little disagreement that a national constitution would determine the shape of local government, there are differences over the extent to which constitutional agreements will affect local agreements.

For some organisations, the key issue is how long the drafting of a new constitution will take and the fate of local government during this phase.

Others say work at local level should continue and several technical aspects

resolved urgently, such as future boundaries, the land question, housing, finance, single administrations, needs analysis, reconstruction programmes, budgets and infrastructure.

"These take a fairly long time to resolve. In Zimbabwe the research took up to eight years," Chetty said.

Commenting on political parties, he said that the PAC had two main conditions for negotiations: the return of land and one person, one vote.

"This will delay any permanent local government settlement until these preconditions are met," Chetty said.

For the ANC, a constitution must determine the power and form of local government.

At its October 1990 conference, the ANC resolved that local negotiations be limited to development issues only.

"Constitutional issues, they claim, are the subject of national negotiations and the constituent assembly," Chetty said.

"But the crisis in local government, for the civics, is immediate."

The National Interim Civic Association rejected the Interim Measures Act at their national conference last year as almost all of their negotiations take place outside the Act.

The absence of clear leadership has resulted in divergent approaches by civic organisations, Chetty argued.

While some reject negotiations, others will negotiate only development issues, others are involved in negotiations over the constitution of local government, and some have even taken over the functions of local government.

As there is no clear indication of when the national constitution will be resolved, an all-party forum could be assigned the task of drawing up acceptable guidelines for the restructuring of local government.

The immediate needs of community organisations have to be addressed urgently, Chetty argued. There is a view that community councils and management committees should resign.

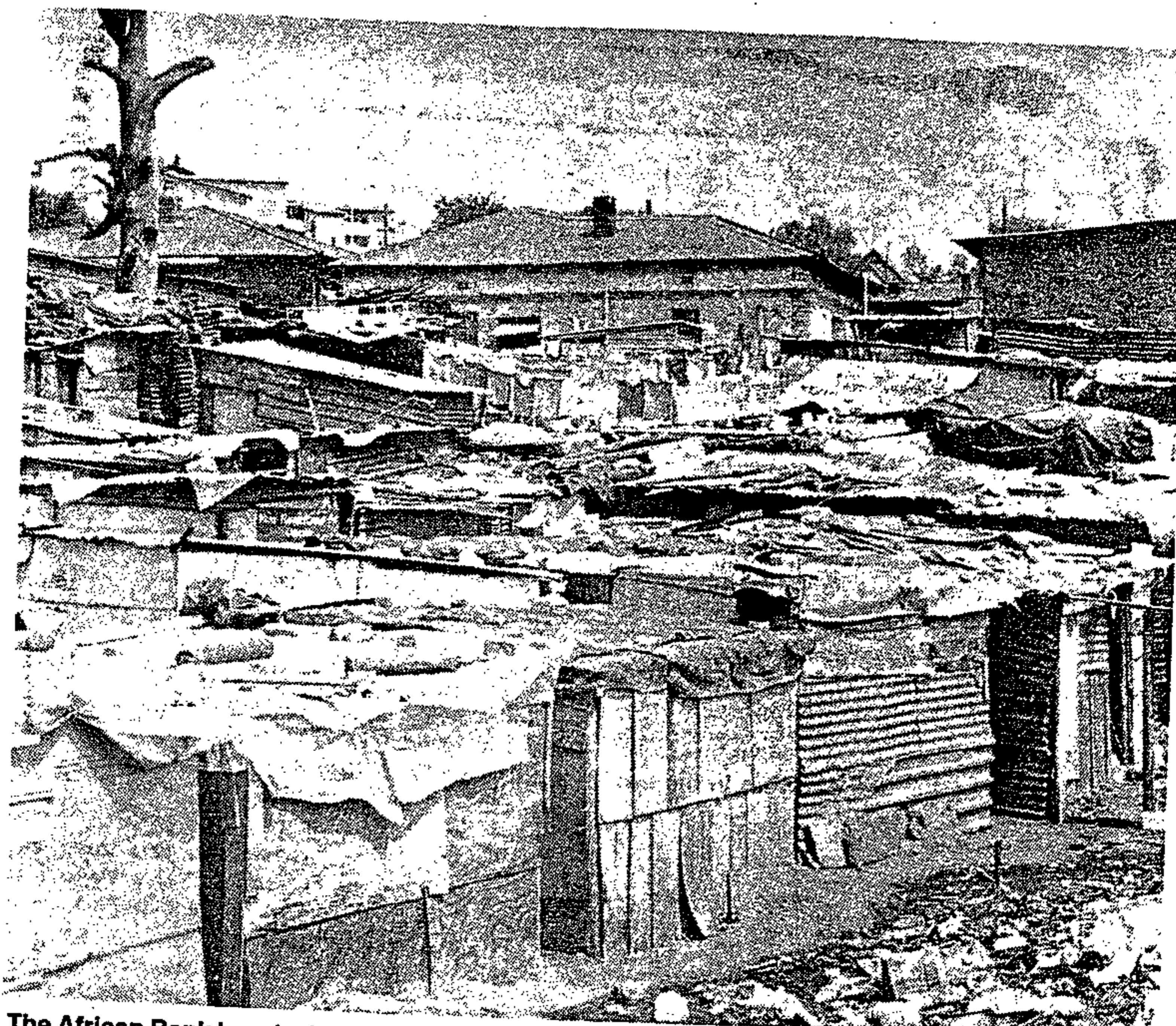
Disenfranchised communities would have to be represented in a forum that will influence the manner in which white local authorities and provincial administrations will function.

If negotiations were to succeed between the two major parties, civics and local authorities, civics must have access to resources and information.

"The task of restructuring local government is an onerous one and will need a substantial amount of preparatory work," Chetty said.

The reintegration of cities and towns will need urgent attention.

"Community organisations have played an enormous role in local government issues and to ignore these organisations will resolve very little," Chetty said. "While these organisations have an important role to play, they have certain limitations. Currently civics are weak and absent in several areas. Sensitivity and support is necessary and will assist in the process of restructuring local government."



The African Bank has decided to enter the property market in a bid to alleviate the housing crisis in the black community.

African Bank's new homes plan

THE African Bank has decided to enter the property market to help alleviate the housing crisis.

Chief executive officer Mr Jack Theron said the bank was concerned about the housing shortage and it wanted to help poor communities to acquire houses.

The bank, through its Homesavers' Plan, would grant loans to applicants in the normal way in which financial institutions lend money to those needing it.

He said: "We will look at every case and consider its merits and demerits. It is our aim to help poor families find a roof over their heads."

"Most financial institu-

By **JOSHUA RABOROKO**

tions have burnt their fingers in the property market by lending money to people who at a later stage failed to pay their bonds. We are prepared to take the risk."

The bank would also look at violence, unrest and other problems that might hamstring the building of houses for blacks.

Theron said the past year had witnessed the establishment of a rising number of squatter settlements throughout the country.

Research has shown that blacks who are unable to find a formal house live in the backyards of friends' and relatives' houses or in

the servants' quarters of white homes, or in hostels, compounds, or shacks.

It has also been shown that formal black houses have an average of 13 people living in them. The majority of formal houses are rented.

Shacks are more typically a home to black people than are formal houses, according to research.

In the PWV region for example, there are 412 000 formal houses, 422 000 backyard shacks, and 635 000 shacks on vacant land.

Theron said: "This clearly depicts the worsening problems of poverty and homelessness in the black community."

"Although important efforts were made by both

the Government and the private sector, it appears as if these efforts up to now merely represent a drop in the ocean.

"The ultimate solution to this problem lies not so much in charity but more in the provision of employment with adequate remuneration, to enable families and individuals to build or otherwise provide their own accommodation," he said.

Theron said the bank was committed to the economic empowerment of black people and to mobilising and recycling the black community's savings by making them available for improving their economic potential.

Solution 23/1192

123

Building body calls for homes strategy

123
Sowetan 23/1/92

THE Building Industries Federation of South Africa has called for a national housing strategy and policy to be urgently implemented.

In its latest report it says the building of houses, especially lower income ones, is still in the doldrums.

This is caused by a lack of resources.

Last year, the organisation says, "overall business conditions in the building industry remained rather sluggish and most contractors and sub-contractors complained of a fierce tendering environment".

Competition

It does not expect a further deterioration in business conditions in the short term. According to the organisation, it expects building costs to increase by 13 percent this year.

However, it says, these costs could have been higher but are kept at this level because of keen competition between tenderers.

According to the organisation, last year's shortage of building materials had now been overcome, but this trend could be reversed next year when the economy will presumably be in an upswing.

DESPERATE: The building of houses for lower-income people is still in the doldrums.



PROPERTY

'Sell plots to ease housing backlog'

CF 25/11/92 (123)

Political Staff

THE housing backlog in the coloured community could be eased if more than 24 000 unserviced plots were to be sold, the Deputy Director of Housing in the House of Representatives, Mr John Hopkins, said yesterday.

More than R300 million in capital was tied up in the plots which at present are lying unused in many parts of the country. They were not being developed because state funds for low-income housing had dried up.

The House of Representatives could lend money to low-income earners to buy the plots, which ranged in price from R8 000 to R16 000 each.

"Local authorities own over 90% of these properties which are to be sold at cost to individuals who qualify for state-subsidised housing," Mr Hopkins said.

He appealed to all the authorities concerned to develop these properties in the best possible way to the benefit of the community.

"If these properties are not used for housing soon they could fall into disuse."

Mr Hopkins said that to facilitate land ownership, the House of Representatives recently announced that it would increase the maximum gross income and loan limit for qualifying individuals to R2 000 per month and R35 000 respectively.

"The loans, which pertain to land purchase only, are granted at a subsidised rate."

"The owner is then encouraged to build his or her own starter house which can be upgraded as income improves."

Builders want huge budget aid for homeless

MICHAEL CHESTER
Weekend Argus Correspondent

THE building trade has urged the government to allocate a whopping R1 650-million chunk of the 1992 Budget to spend on special subsidies for homeless low-income black families.

The National Association of Home Builders (NAHB) told Housing Minister Mr Leon Wessels that bold intervention was vital to reverse a disastrous slow-down in the flow of affordable new homes needed to avert a crisis.

The NAHB suggested the expenditure programme should be launched this year and repeated each year until the problem was solved.

The subsidies should take two forms:

□ R1 500 million a year in capital subsidies to accelerate the provision of serviced sites to no fewer than 200 000 sites every 12 months.

A portion of the total should be channelled into the Independent Development Trust (IDT) to maintain the momentum of the R750-million scheme it has launched to provide 100 000 serviced sites for homeless families with incomes below R1 000 a month.

The remainder should be handled by the Development Bank of Southern Africa or a similar agency and earmarked for homeless families whose joint incomes peaked above

R1 000 a month but were still in a battle for survival.

These subsidies should be in a combination of schemes to finance the delivery of serviced sites, similar to the IDT approach, or else in direct cash subsidies in the form of coupons tied to spending on whatever sort of shelter was chosen by the beneficiaries themselves — as favoured by the World Bank in recent studies.

□ R150 million a year should be ploughed into first-time home-buyer subsidies aimed at families in slightly higher income brackets — covering one-third of the interest paid on home bonds for a period of seven years.

The NAHB estimates that

ARG 25/1/92
this second programme would create at least 110 000 new houses a year in the price range of between R12 500 and R65 000.

It also has urged the government to make a public commitment to policies pledged to assign priority to spending on housing subsidies in terms of regular budget allocations.

Such a firm declaration, the Minister was told, was essential to create a positive investor climate.

The NAHB added the warning: "There is no doubt that building in the affordable housing market will virtually grind to a halt until financial institutions have the confidence to operate in this market."

Bringing the message home

STAR 27/1/92 (123)

WITH A formidable reputation on record as a skilled mediator and no-nonsense financial expert, Dr Joop de Loor was widely acclaimed as the ideal selection when the Government cast around a year ago to find the head of a special task force assigned to solve the country's housing crisis.

As former director-general of the Department of Finance, as Auditor-General keeping a stern eye on State accounts, and as South Africa's representative at the International Monetary Fund dealing with political flak and global pressures, he had amassed long experience with conundrums.

Even Dr de Loor, however, was shaken when he came face to face with the size of South Africa's massive housing problems with the number of homeless black families running into millions. Worse still was the lack of any sign of co-ordination in housing policies — which a World Bank reconnaissance mission examined last year and wrote off as a shambles.

Problems were compounded by a complex maze of bureaucrats pushing and pulling in different directions. The Department of National Housing must have lost track of how many players were in competition for priority treatment.

It was not only the four provincial administrations that were in the tussle. As a result of apartheid blunders and crazy geographic and racial patterns, also involved were three "own affairs" departments, four homelands claiming status as independent states but heavily dependent on South African funds (Transkei, Boputhatwana, Venda and Ciskei), plus as many as six more homelands claiming self-government status.

The net result was that while the housing crisis was growing bigger at every new count, the supply of new low-cost housing was slowing down to a pathetic trickle.

The De Loor Commission, seeking solutions to the housing crisis, expects to send its package of recommendations to the Cabinet next month. But it cautions that no one can wave a magic wand that will make the problem disappear at one stroke, reports **MICHAEL CHESTER.**



Dr Joop de Loor . . . Shaken by the size of South Africa's housing problem.

cialism was taboo and the main thrust must concentrate on solutions for low-income homeless black families.

To ensure that all angles were covered, the task force was split into five working groups, each with a specific problem area to tackle — finance, infrastructure and services, town planning, communications and actual construction. More outside experts were called as needed, such as two chartered accountants and two representatives from the Development Bank of Southern Africa.

Tapped

An early disappointment was the lack of a formal response from such extra-parliamentary groups as the African National Congress and Inkatha when they were invited to submit ideas of their own. However, Dr de Loor believes

brink of ultimate success and feels confident the final report will be handed in to the Cabinet next month.

But he adds a caution that even Cabinet approval may not yet signal a full mobilisation of a master plan that will cure the housing crisis at one stroke.

"The hard reality is that no one can wave a magic wand that will cause the instant disappearance of housing queues," he warns. "Solutions, even running at full speed, will take several years — perhaps as long as a decade.

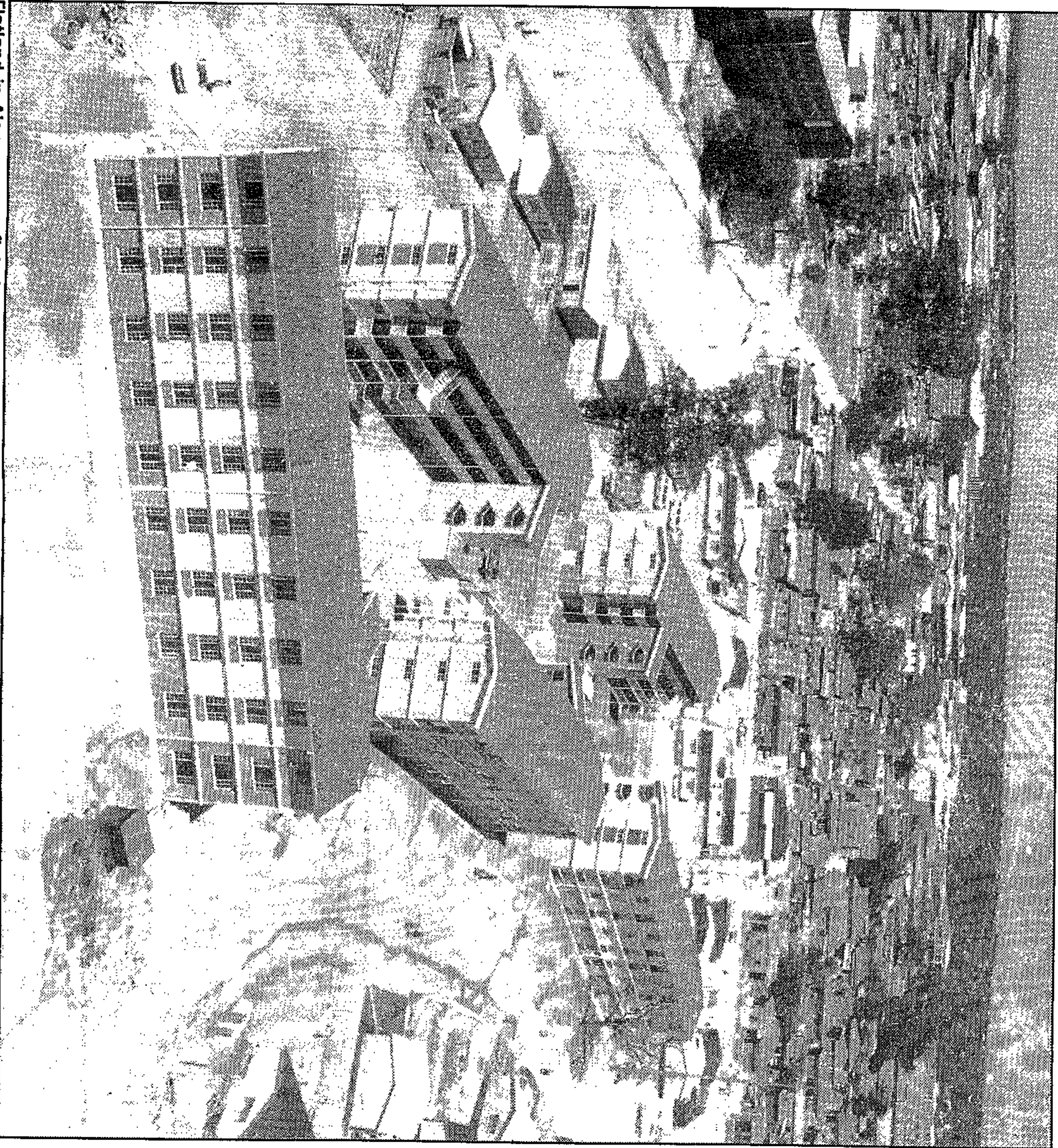
"Our main ambition is to offer a practical formula for a new housing policy that will win consensus with everyone involved — the homeless themselves, the public and private sectors, the building industry, the financial institutions."

Dr de Loor has held politics at arm's length in the exercise. But he believes that it would be futile to set a massive new housing programme in motion without total consensus and close consultation with key extra-parliamentary groups.

He remains optimistic that accord will be reached once consultations get into stride. "More consultation may delay matters a few more months," he says, "but the wait will be worth it if it means better and faster results in the end."

Dr de Loor intends to keep precise recommendations under wraps until they go to the Cabinet. But there are at least a few hints coming from insider leaks.

For example, it seems highly likely that the Government will be advised to keep State intervention to a minimum, withdrawing from actual physical housing construction and con-



Flatsland in Alex . . . new flats in Alexandria reflect the demand for rented accommodation that has been identified by the De Loor Commission as one alternative to home-buying for a growing queue of homeless black families.

space where families can build shelters, however modest, as a beginning, even if no more than small serviced sites in properly planned informal settlements as a first alternative to illegal squatting.

What looks likely is a variation in systems of capital subsidies — as favoured in recent World Bank studies — that can allow homeless families to spend their allocations more or less as they choose, with the crucial proviso that the cash goes on the creation of a home, with no loopholes for squandering on non-essentials.

The De Loor team is also looking at incentives to encourage the private sector to tackle the homes-to-rent market on a far bigger scale. Members estimate that as many as 15 per cent of homeless black families prefer the idea of rented accommodation — but developers have long shunned the market for reasons they argue are all too obvious as reports flow in of rent and bond boycotts, violence and mayhem on building sites.

Dr de Loor believes that brings the whole issue back to square one: the imperative of consensus on a total housing strategy.

If achieved, the flow of foreign investments needed to bring solutions closer may resume sooner than expected.

"The World Bank is showing very deep interest," says Dr de Loor. "But it wants to see full agreement on a housing accord before it makes a move on financial assistance. If the World Bank makes a move, other international institutions and perhaps overseas governments may consider assistance."

All of them, however, are likely to insist on consensus on strategies that look workable and cost-effective.

"But at the moment, when it comes to housing, they also wonder why South Africa, and its private sector in particular, does not make full use of its own financial resources to start the ball rolling. They're not

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"Lord knows how many fingers were in the pie," recalls Dr de Loor. "Everyone wanted a bigger slice for themselves — each trying to bend the rules and pander to their own particular constituency, often with little regard for anyone else's problems."

"It seemed the State was pouring in more and more cash — but actual results seemed to be fewer and fewer."

The initial hard core of the task force that Dr de Loor mustered around him was drawn from a mixture of public sector and private sector members of the SA Housing Advisory Council. The exercise became known as the De Loor Commission.

All had a basic directive: ra-

he has tapped rank-and-file black opinion by bringing in two experts known to have solid standing and wide experience with black socio-economic problems — Soweto community leader Dr Nthato Motlana, founder and chairman of the Get Ahead Foundation, and Soweto businessman Gibson Thula, who commands much clout inside Inkatha.

"My assignment," says Dr de Loor, "was to come up with a more appropriate housing policy to fit the mood and ambitions of a New South Africa."

There were moments when the ambition of unanimity inside the commission looked like Mission Impossible. However, Dr de Loor believes he is on the

centrating on the role of facilitator in a new housing drive — sweeping away all red-tape hump and outdated regulations and confining its role to acting as a treasurer for public funds to be ploughed into the operation.

The commission is expected to lay the emphasis on ways in which the private sector can be encouraged to seize the initiative and take on the task of providing all the new homes needed — the construction work and new financial packages.

But again and again, the emphasis is laid on a workable plan that will win consensus and, hopefully in turn, an end to bouts of unrest and violence, as well as rent and bond boy-

cotts, that have caused the withdrawal of builders and bank finance from the housing market at the moment.

The commission has also had to take into account the need to strike a balance in the amount of cash needed to propel the housing programme, into a much faster pace, and the vast amounts needed elsewhere in the whole reform process.

"You cannot call a halt to expenditure on health and education while you commit all your resources to housing," says one member. "We need to find a reasonable balance."

The issue of urbanisation has been high on the agenda, too. The view has been taken that now influx control barriers,

have been removed the urbanisation process will continue at a high rate for some time. It may take 10 to 15 years before it levels off. And so plans have to be laid to find room for still more and more families moving into the metropolitan magnets.

"We have to balance lots of alternatives in the way that subsidies should be handled for unemployed or low-income families with no chance of moving into homes of their own without some form of assistance," says a member.

"The Independent Development Trust has chosen to allocate R750 million of its R2 billion fund to a pilot scheme to provide 100 000 ser-

viced sites — worth about R7 500 each — to homeless families trying to survive on joint incomes below R1 000 a month.

"But there has been a mixed reaction, especially among critics who argue that, however commendable the motive, the scheme promises 'islands of happiness' for a relatively small fraction of the homeless — with the unintended result of bringing other low-cost housing projects to a halt. Why, it is asked, should prospective home-owners pay hard cash for a house stand outside the scheme when he is equally entitled to a free site?"

The De Loor team is searching for alternative forms of sub-

sidies that will reach a far bigger number of homeless families and somehow allow them more freedom of choice about precisely where — and how — they want to live.

Members feel it is time to come to terms with the blunt fact that the provision of an instant three bedroom, brick-built house for every homeless family in the country is a pipe-dream.

Here they feel the IDT may be heading in the right general direction, but there may be room for improvement in the shape of the subsidy packages.

All appear to be agreed on the aim of making a start by tackling the basic issue of providing security of tenure on

fooled by political rhetoric. Every report of bond and rent boycotts is another nail in the coffin of a plausible housing policy.

"They will want to see South Africans themselves make the first move with a demonstration of practical strategies that have all the hallmarks of ultimate success.

"No country on earth has ever found a total solution to its housing problem. But in South Africa, with a population growing in numbers and the supply of new low-cost houses shrinking, the housing shortage backlog is growing bigger every year.

"It's vital that we find new strategies to solve the dilemma — and soon." □

Housing for exiles sought

Political Reporter

CAPE TOWN — The Government is identifying suitable buildings to house returning exiles for a short period, according to Home Affairs Minister Gene Louw.

He said most exiles were South Africans and therefore entitled to normal State assistance.

Mr Louw said the number of exiles still to be repatriated was unclear but the United High Commissioner for Refugees was in the process of registering people in foreign countries.

Since the beginning of last year, 5 851 exiles had returned, mainly under the auspices of the ANC, and since last month a further 1 063 people had been repatriated under the UNHCR's auspices.

STAR 29/1/92

'Negotiate land issues'

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CAPE TOWN — Land issues should be solved through negotiation and consensus rather than costly court proceedings which might take years to resolve, Jacob de Villiers, Minister of Regional and Land Affairs, said yesterday.

He told a press briefing that the Advisory Commission on Land Affairs would advise President de Klerk on the identification, use and ownership of land affected through previous discriminatory legislation.

Asked if the Government had ruled out establishing a land claims court, he said all alternatives had been discussed in Parliament and committees in 1991, and the Advisory Commission on Land Allocation was the result.

"To speculate on others would not serve any pur-

pose," he added.

The commission, chaired by Mr Justice T H van Reenen, was set up in November last year in terms of the Abolition of Racially Based Land Measures Act of 1991.

"The Government has, through this mechanism, made a real attempt to come to grips with the past and to deal with land claims effectively and expeditiously."

He invited all interested parties to give their full cooperation, and support the proceedings of the Commission.

"In my opinion, consensus through negotiation is a more viable method to solve the intricate land issues rather than reverting to costly court proceedings which might take years to resolve," he told the briefing. — Sapa.

Urban death of apartheid

STAR 29/11/92

CAPE TOWN — The dynamics of urbanisation had simply overtaken the ideology of apartheid, Minister of Local Government Leon Wessels told a press briefing in Cape Town yesterday.

He said the Government was waiting for two reports to be released soon which would look at arriving at a comprehensive housing policy for the whole country. (123) (22)

These were the President's Council report on urbanisation and the South African Housing Commission investigation into all aspects of housing in South Africa.

Mr Wessels said that the final negotiations for future structures of local government would be conducted nationally, though the Government still encouraged local talks. — Sapa (123)

Plan makes home ownership easier

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B/day 29/1/92

Reports by
PETER GALLI

PROSPECTIVE home owners are being offered innovative schemes to encourage them to take the plunge and enter the market as economic conditions remain tough, and interest rates high.

Investec Property Group (IPG) has announced mortgage bond financing at a subsidised rate of 8% below prevailing levels until 1994 at its Bedford Garden Estates.

The programme, known as Home Ownership Made Easy (HOME) will facilitate a monthly repayment of less than R1 000 a month for an apartment worth R120 900, and will allow the prospective purchaser, who would otherwise not be able to enter the market, to own a home now," says IPG marketing consultant Lawrence Kreeve.

But there is a catch. The difference between the subsidised monthly payment and the full amount is added to the purchase price.

For example, if the buyer can afford the present repayment on R108 000, he pays close to this amount. If not, the buyer pays about R120 000 for the unit under the subsidised scheme," says Kreeve.

The repayments are subsidised for two years, after which repayments revert to current rates.

Bedford Gardens units range from R63 000 for a studio apartment to R275 000 for a three-bedroomed, two-bathroomed duplex unit.

The estate consists of 11 buildings set in 10 hectares with recreational facilities, pools and tennis courts.

Four hundred of the 963 units have been sold since June, at prices well below replacement value, Kreeve says.

Five sales were being negotiated under the HOME scheme, and bond financing would be "no problem" as the units were priced below the Standard Bank's valu-

ation of the properties.

Meanwhile, although times are difficult in the Transvaal, estate agents report local and coastal sales continue almost unabated.

On the coastal front, the decline in the value of the rand is shown by the continued strong sale of coastal property to foreign investors.

One of the most expensive sites at the Langebaan Country Club was recently sold to an air hostess with Cathay Pacific.

"This sale and sales to other offshore investors from all walks of life are telling proof of the decline in the value of the rand," says Owen Wiggins Trust Transvaal manager Dik Gilbee.

While overseas interest is clearly growing, local sales still remain strong, with 1990 Transvaal sales alone topping the R9m mark, he adds.

European buyers have also expressed interest in properties in Sea Point, with four homes recently sold to German and Swiss buyers, says Milton Kelman of Aida's Atlantic seaboard franchise.

Sales in the Sea Point area to upcountry buyers are buoyant, with property worth R10m sold in the four months to December. About 60% of them were to Transvaal buyers wanting holiday homes in the Cape, Kelman says.

In contrast, Southern Cape coastal property sales were depressed over the holiday season, but are picking up now, says Pam Golding Properties Garden Route branch manager Alastair Wallis.

"This lull is due to the recession, high prices on the Garden Route and the fact that December is not traditionally a buying period. The market is cautious, and affordability is a limiting factor."

BOMBIER rates

By ARI JACOBSON
SOME home-owners will at last receive relief with Standard Bank and First National yesterday announcing surprise bond-rate cuts as of March 1.

Standard sets pace for home loan war by slicing off 1%

A price war is brewing in the industry with First National cutting its bond rate by 0,5% to 19,5% only to be outdone by Standard Bank Investment Corporation's (Stanbic's) 1% drop to 19%.

First National could now be forced to announce a further cut.

This means that payments on a R100 000 bond registered with Stanbic will be reduced by about R87 a month.

Other leading banks indicated yesterday that they would certainly reduce rates by March.

The mortgage cut for both banks is across the board, renewing speculation that a government-led bank rate cut is imminent.

Some experts think the bond rate cut might herald the beginning of a trend.

Stanbic's general manager (home loans), Mr Eric Tomlinson, described the banking industry as "incredibly competitive".

Mr Tomlinson said the 1% drop was not a substantial reduction to bond payments but added: "The property market thrives on confidence and while the impact will be gradual the optimism should continue to grow." He said the favourable liquidity situation in the money market provided

the leeway for the drop in the bond rate to 19%.

First National's senior general manager, Mr Viv Bartlett, said the group's move had been precipitated by buoyant interest margins — the profit enjoyed by a bank by borrowing and then lending money.

Nedbank's deputy managing director, Mr Johan Westraat, said that attracting mortgage bonds had become a significant part of banking and although a decision had still to be finalised, a rate cut at this particular bank was inevitable.

Natal Building Society's director, operations, Mr John Smale, said the group would meet early next week to devise a strategy, adding: "We aim to remain competitive."

He said the group had been anticipating, for some time, a 1% drop in the prime overdraft rate.

● The deputy governor of the Reserve Bank, Dr J Meijer, said yesterday that interest rates were unlikely to come down unless there was a marked drop in inflation, Sapa reports.

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CUT

Banks ease agony for homeowners

STAR 30/1/92.

By Derek Tommey

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The three-to-four percent drop in interest rates in the money market in the past few months has finally worked through to mortgage rates.

First National Bank has cut the rate of interest on its bonds by half a percentage point to 19,5 percent and Standard Bank by one point to 19 percent from March 1. Other banks are expected to follow suit.

Johan Westraat, deputy MD of Nedbank, said yesterday his group would cut its rate, but no decision on the size of the cut had yet been taken.

Mike de Blanche, MD of United, which has the biggest mortgage book of all banks, said his group would discuss the matter today.

The lower mortgage rates are not expected to lead to any reduction in commercial banks' prime lending rates.

The prime rate is linked to the Reserve Bank's discount rate. Inflation is still high and likely to be exacerbated.

The Governor of the Reserve Bank, Dr Chris Stals, is believed to be reluctant to lower the discount rate right now, should money supply increase.

However, there is considerable speculation that the Reserve Bank might announce a discount rate cut immediately prior to the Budget on March 18 to increase the stimulatory impact on the economy of any tax cuts that may be announced.

Eric Tomlinson, general manager of Standard's home loan division, said the build-up of liquidity in the money market in the past few months had put downward pressure on deposit rates, allowing the bank to pass on benefits to its customers.

FNB MD, Barry Swart, said bondholders could take advantage of the reduction by either reducing their monthly instalments or by maintaining their payments at existing levels, which would enable the bond repayment period to be reduced.

The cut in rates will come like a breath of fresh air to

hard-pressed housebuyers.

The steady increase in mortgage bond rates from 12,5 percent in 1987 to a peak of 20,75 in 1989 imposed a heavy burden on individuals.

Although the rate dropped one percentage point to 19,75 percent just under a year ago, the introduction of VAT saw the rate again rise to 20 percent.

The one-point cut by Standard will reduce the monthly repayments on a R50 000 bond by about R40 a month and on a R100 000 bond by about R80 a month.

Standard has a mortgage book of R8 billion, with another R1 billion in the pipeline, so its cut will reduce its revenue by about R80 million a year.

FNB's cut of half a point on its book of R5,5 billion will cost it about R27,5 million a year.

The Reserve Bank says financial institutions have about R60 billion out on mortgage. A full one percentage point reduction in mortgage rates would cost them together R600 million a year.

Move may presage Bank action

Bond war as Standard and FNB cut rates

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SHERIDAN CONNOLLY

FIRST National Bank (FNB) and Standard Bank fired the first shots in a new bond war yesterday with the announcement of across-the-board reductions in home loan rates effective from March 1, pre-empting a cut in the official discount rate.

FNB acted first with a half percentage point cut in its home loan rate to 19,5% from 20%. Standard responded within hours but outshone its rival with a full percentage point cut in its bond rate to 19% from 20%.

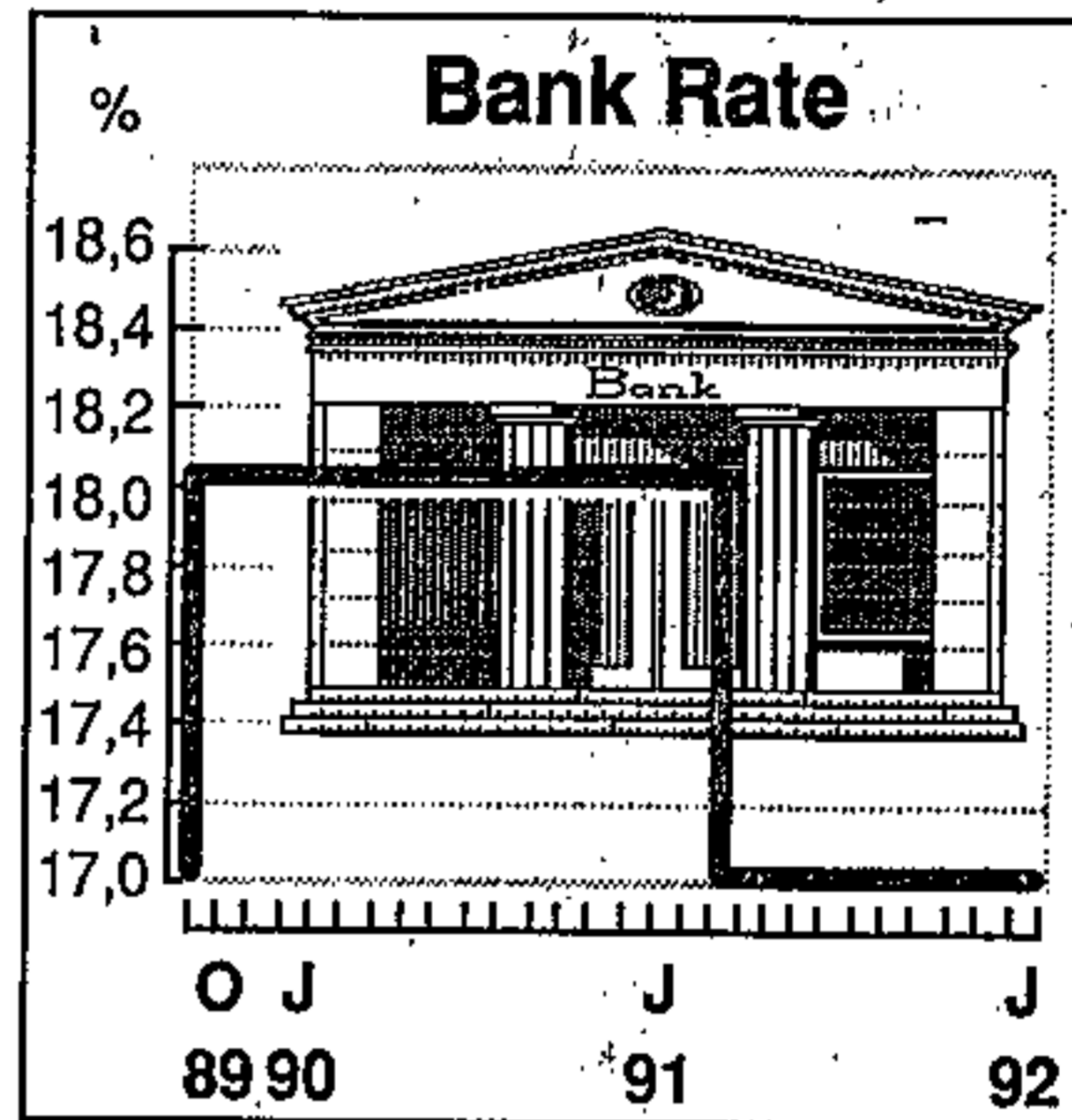
Both banks said yesterday the rate cuts had come on the back of growing expectations of an imminent cut in official rates.

Divisional GM of Standard's home loans division, Eric Tomlinson, said a liquidity build-up in the money market over the past few months had put downward pressure on deposit rates. This had allowed the bank to pass on benefits to home loan borrowers.

Tomlinson said the home loan market was perhaps the most competitive sector in the services industry and lower rates would benefit and attract borrowers.

FNB MD Barry Swart said the bank had been considering a cut in home loan rates over the past few weeks but had decided to move to protect market share following Absa's acquisition of Bankorp.

Some money market analysts agreed the rate cuts by Standard and FNB were designed to erode the margins of Absa's substantial home loans book. Others believed the lower rates were at least partly intended to anticipate an official move to reduce



Graphic: LEE-EMERTON Source: INET

discount from its current level of 17% before the end of the quarter.

Capital market rates dropped sharply in volatile trading following the announcements of the rate cuts. Towards the close of trade, the benchmark Eskom E168 had eased back to a 16,28% yield from 16,40% earlier. The government RSA 2004 dipped to 16,78% from 16,85%.

FNB's pre-emptive cut in its bond rate matches its aggressive rate-cutting in the first quarter of last year when it shocked its competitors with a one percentage point cut in its prevailing home loan rate of 20,75%. The day after FNB's March 1991 bond rate cut, the Reserve Bank announced a one percentage point cut in its 18% discount rate, which triggered the last easing in prime overdraft rates.

□ To Page 2

Bond rates

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Money market rates have been discounting a drop in official discount rates for the past few weeks, and the Reserve Bank has had to resort to open market operations to drain liquidity from the market to prevent rates from falling further.

LINDA ENSOR reports that Deputy Reserve Bank Governor Jaap Meijer said the inflation rate was likely to drop this year and this would allow for a relaxation of monetary policy. The condition for a drop in interest rates would be a visible improvement in the rate of inflation.

Meijer told a briefing in Cape Town it would be psychologically inadvisable to drop interest rates if there was no success in the fight against inflation, even if this was justified by underlying conditions.

"The room for manoeuvre is fairly limited as Bank rate is only 17% and if you deduct the most recently measured CPI inflation rate, the real Bank rate is about 0,8%. There is no room whatsoever for reducing Bank rate more than by perhaps half a percent," Meijer said.

Housing sector forms Press club

South African 30/1/92 (123)

THE South African Housing Trust has established a Housing Writers Forum, the convener of the project, Mr Hennie Crowther, announced this week.

The objective of the forum was to give recognition to journalists for their efforts to report on housing, economy and related fields.

Through the forum the public would be informed about developments in the housing sphere, he said.

The forum would be managed by the chairman, the secretary, the PRO and

BY JOE MDHLELA

five executive members.

The committee's function should include the organising of monthly meetings, invite a specialist to address the forum on topical issues and invite the media to attend monthly meetings.

"We are of the opinion that recognition of the media and their concerted efforts to report on this very important and complicated issue is long overdue," Crowther said.

A house is an investment of a lifetime - Perm

Supplem 30/11/92
By JOE MDHLELA

OWNING a home is one of the best ways of taking care of one's hard-earned money and making it grow, according to the marketing manager of the Perm, Mr Richard Ford.

"Because housing was in short supply, the demand for it raised the value of the property year by year, making it the most valuable investment.

It was also important that the house be kept in good shape for it to remain a good investment.

"In this way home-ownership makes you a shareholder in the prosperity of the country," Ford said.

Raise money

As the value of the house increased, the owner would be able to raise money from the financial institution using the house as security.

"This could be money for your children's education; extension to the house; or even funds to start a business."

To a very large extent, home-ownership gives security and peace of mind, said Ford, adding that "because it is yours, you know you cannot be moved".

Even after the death of the owner the house would remain the property of the family.

Married and unmarried people may



RICHARD FORD

own property and may borrow money to do so.

"This includes single women; women married by antenuptial contract or by customary union.

"They may do so without the assistance of their husbands. But when married in community of property, both partners own the home together equally."

PROPERTY

7-m blacks homeless

Sowetan 30/1/92

By JOE MDHLELA

AN estimated seven million of some 28 million blacks live in squatter settlements, says the director of the South African Trust Limited, Mr Hennie Crowther.

And it is not as if the Government has not been warned, he argues, stating that as early as the 1940s there had been a need for "adequate, low-cost housing for the lower income population".

He says despite this realisation by the Government as early as that time, the financing of low-income housing stopped in the '60s when "the architects of grand apartheid" began encouraging blacks to settle in rural areas.

Crowther says that from the sixties it was very much a case of "out of sight, out of mind".

Time-bomb

"In reality, over those 30 years the black housing problem worsened rapidly, but because of apartheid it was left unaddressed.

"Now that time-bomb is set to explode. With the repeal of apartheid legislation began a mass exodus to the cities on a scale never before experienced in the history of South Africa," Crowther says.

Squatter camps and other methods of informal housing have become the dominant form of shelter in South Africa and it is likely to increase in the next decade unless drastic steps are taken, Crowther says.

He says hand in hand with squatter

settlements come the problems of illegitimate land invasions, chaotic settlements and chronic health problems.

An example is the Lindilane Squatter Camp on the banks of the Uingeni River, where 250 000 squatters live without access to drinking water or sewerage systems.

"The result is that 180 000 tons of faeces are dumped into the river every year, giving the water an E. Coli count of 300 000, where the acceptable international count is 200 units," he says.

The urgent need for low-cost housing in this country is painfully obvious, Crowther argues, stating that already there is a backlog of 1,8 millions units in the country's urban areas.

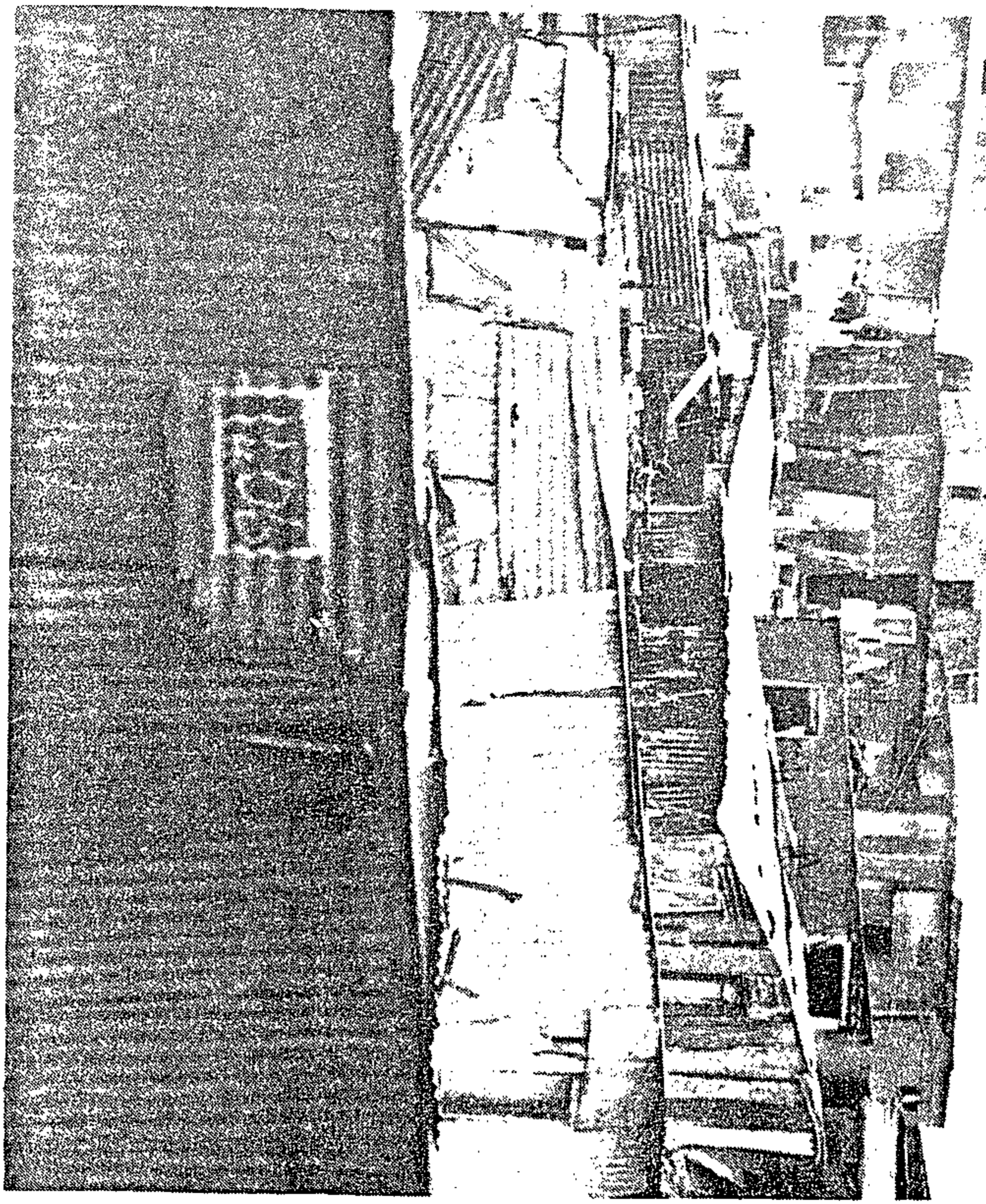
"That means 550 houses need to be built every day to eradicate the backlog by the year 2020 at an average price of R20 000 for a house and stand.

"This represents a staggering R11 million a day which must be invested in low-cost housing projects."

Crowther echoes the words of Dr Albert Sabin, developer of the oral polio vaccine, who has said: "If changes are not made now, by the year 2000 there is doubt as to whether we will survive.

"By that time five billion of the seven billion people in the world will be starving, uneducated and totally desperate."

That is food for thought for the South African authorities and certainly the country is not exempt from this crisis.



CRISIS: Millions of South Africans are forced to live in squatter camps because of the chronic shortage of housing in the country.

Housing crisis holds key to problems says Minister

SOUTH Africa's problems would not be resolved unless a solution was found to the housing crisis, the Minister of Housing in the House of Representatives, Mr David Curry, said this week.

Speaking in a debate on the State President's opening address, he said: "What does it mean to have the right to vote if you don't have a roof over your head?"

Impressive

Housing was the key to the safety of the country and of its future.

His administration had an impressive record of providing housing for coloured people, but now it was being punished by

having its allocations cut.

It was difficult to understand why this was being done.

"Last year we budgetted for an extra R50 million and this year we are getting less. But what happens to extra-parliamentary organisations like the Independent Development Trust? R2 000 million is given to them."

Meanwhile, his administration was sitting with housing experts at regional level who had no funds. R300 million was locked up in serviced, vacant erven in coloured areas.

"When will we build houses there?" he asked. - *Sapa*.

Sowetan 30/1/92

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Rates up by 16,5%

123
CT 31/2/92

By PETER DENNEHY
Municipal Reporter

CAPE TOWN'S municipal services — already slashed in some areas — look set for a further shock cut.

Yesterday the City Council resolved to adopt a radically new budgeting procedure which is aimed at putting a lid on this year's rates increase at the 16,5% level.

But earlier, City Treasurer Mr Eddie Landsberg had told councillors that maintaining the council's present level of service would necessitate a 21% increase in rates this year.

This means council services are virtually certain to be cut back further to make up the shortfall.

The council already came under fire from ratepayers last year for slashing rubbish

collection from twice to once a week in some areas, cleansing cut-backs and grass verges not being mowed.

Debating the rates increase yesterday, former mayor Mr Peter Muller said: "You and I know there would be all hell to pay if we have a 21% rates increase in this city. It has to be inflation-related."

Mr Arthur Wienburg successfully piloted a motion through the meeting, binding the council to adopt a "resource-driven" budget system rather than the usual "demand-driven" process.

This means that the executive committee will have to consider laying down a "pre-determined property rate of between 15 and 16,5%" near the beginning of the budgeting process.

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● More council report — Page 4

IT'S WAR AS MORE BANKS CUT RATES

(123) CT 311192

OWN Correspondent

JOHANNESBURG. — The bond war heated up yesterday with major banking institutions following First National Bank (FNB) and Standard Bank in cutting mortgage bond rates.

Absa said its Allied, United and Volkskas divisions would lower mortgage rates by one percentage point. The standard bond rate of 19% would apply to existing and new mortgages from March 1.

Nedbank deputy managing director Mr. Johan Westraut said across-the-board bond rates would be reduced by one percentage point to 19% from March 1. The SA Fern said it too would reduce its mortgage bond rates and would give details soon.

The E P Building Society also announced its intention to reduce its home loan rate.

EP chief executive Mr. Trevor Jennings said the new mortgage loan package would equal Standard Bank's 19% announced yesterday.

Natal Building Society assistant general manager Mr. Trevor Olivier said rates would be reduced in line with those of competitors.

FNB, the first institution to lower rates, announced a further half percentage point rate-cut, bringing its home loan rate in line with Standard's 19%.

The second cut would be effective from March 1, a spokesman for Krustians, part of the Banking group, said a statement on the bond issue would be released today.

Financial services and banking group Board of Executors (BOE) announced its entry into the home loan market yesterday. BOE Merchant Bank assistant general manager Mr. Richard Hartman said the group would offer rates of between 17.5% and 18.5% to high income borrowers.

The cut in bond rates initiated by FNB and Standard Bank were "totally insignificant", property group South residential managing director Mr. Samuel Seelf said yesterday.

He said the difference in repayments of 1% on each \$10,000 worth of bond amounts to only R7 a month.

However, Mr. Mike Bisset of Pam Golding Properties says it is the one thing that property people have been waiting and hoping for — after months of doom and gloom there is at last some hope.

From page 1

The motion was passed by a margin of 17-3.

The two budgeting systems were vigorously debated yesterday.

Mr Wienburg argued that the old demand-driven system would lead to councillors being presented with a percentage increase "in the 20s, or even 30%", leading to last-minute panic service-cutting.

Councillor Mr Leon Markovitz said setting parameters "at this stage of the game" was financial suicide.

If the council did not increase rates enough to look after its assets, such as roads and the electricity network, these would slowly decline and require massive rates rises in later years.

Mr Gordon Oliver said a balance was needed between the two systems. Priorities such as the city's cleanliness had to be identified and addressed.

● Mr Louis Kreiner disclosed that a presentation on retrenchments would soon be made, and discussed with the unions.

● Mr Clive Keegan noted in another debate that Bellville had abandoned suburban street-sweeping "without a single complaint" through communicating well with the public.

Rates up by 16,5%

By PETER DENNEHY
Municipal Reporter

**CAPE TOWN'S municipal services
— already slashed in some areas
— look set for a further shock cut.**

Yesterday the City Council resolved to adopt a radically new budgeting procedure which is aimed at putting a lid on this year's rates increase at the 16,5% level.

But earlier, City Treasurer Mr Eddie Landsberg had told councillors that maintaining the council's present level of service would necessitate a 21% increase in rates this year.

This means council services are virtually certain to be cut back further to make up the shortfall.

The council already came under fire from ratepayers last year for slashing rubbish

collection from twice to once a week in some areas, cleansing cut-backs and grass verges not being mowed.

Debating the rates increase yesterday, former mayor Mr Peter Muller said: "You and I know there would be all hell to pay if we have a 21% rates increase in this city. It has to be inflation-related."

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● More council report — Page 4

R50-bn at stake as bond rate war hots up

STAR 31/1/92.

By Magnus Heystek
Finance Editor

Absa's planned amalgamation with Bankorp is the spark that has ignited an outright bond war between the major players.

First National Bank, which only a week ago denied there was any rate cut in the offing, stole a march on the market on Wednesday by announcing a 0,5 percentage point drop in its mortgage rate.

Standard Bank, which had also dismissed the possibility of a cut by saying it would take its lead from the Reserve Bank, was stung into action and cut its rate by a full one percent hours later.

FNB had no option but to match Standard's rate and the rest of the financial institutions, including Absa, followed suit yesterday.

A spokesman for FNB tried yesterday to downplay the rate-cutting, saying it was not a bond rate war.

But make no mistake, war is declared, which should delight all homeowners.

In addition to a fierce interest-rate competition among financial institutions for a slice of the R50 billion-plus mortgage market, institutions are aggressively wooing clients away from one another, offering to pay half, and in some cases all, legal and transfer costs involved.

In most cases this would be linked to the transfer of all other kinds of banking accounts and, in the cases of small busi-

Home Loans Division			
Bond Amount	Term (yrs)	Repayment	Repayment
		@ 19%	@ 20%
R 50 000	20	R 810,34	R 849,41
R 75 000	20	R1 215,51	R1 274,12
R100 000	20	R1 620,68	R1 698,82
R150 000	20	R2 431,03	R2 548,24
R200 000	20	R3 241,37	R3 397,65

Printed 30th January, 1992

What the one percent drop in mortgage rates will mean.

nessmen, even their business accounts. This has great long-term advantages.

While the base rate is now down to 19 percent, most high net-worth clients are in a favourable position to negotiate even better interest rates.

The potential in the market has been quickly recognised by Cape-based Board of Executors (BOE) which yesterday announced it would be entering the home loan market, pitching rates at 17,5 percent to 18,5 percent — comfortably below the reduced rates announced by other financial institutions.

'Cuts only a competitive exercise'

CAPE TOWN — The cut in bond interest rates was "only a competitive exercise" and totally insignificant, the managing director of a large real estate agent said in Cape Town yesterday.

The difference in repayments of one percent on each R10 000 worth of bond amounted to only R7 a month, said Samuel Seeff of Seeff Residential Properties.

But the loans will be granted only to selected borrowers, depending on their credit ratings.

BOE Merchant Bank assistant general manager Richard Harman said the new service was aimed at the upper-income group, which was able to provide the security of residential property worth a minimum of R500 000. Clients must have a net worth of a similar amount.

Spokesmen for the residential property market were quick to see an upturn in prospect but others suggested it could be a little premature.

The market, especially the

"The fact of the matter is that these two banks have thousands of bond clients who are already receiving preferential interest rates for selected borrowers like doctors and professionals, most of whom are already paying only 19 to 19,25 percent interest," Mr Seeff said.

Although it appeared that the interest cuts were the start of a rate war, it would only become

top end (R500 000-plus), is still suffering from the combined effect of high interest rates, reduced company profits and an overhang of properties.

"In this price range a great number of people still have to decide whether they are going to stay in South Africa or emigrate," Neville Berkowitz, leading property economist and a speaker at the forthcoming Allied Bank/Saturday Star personal finance seminar, said yesterday.

"This has led to a situation where there are more sellers than buyers."

But a factor sustaining the market at the lower-to-middle end (anything up to R250 000) is the shortage of affordable housing in certain areas, combined with pressure from non-whites who can now afford to buy in areas previously denied to them.

This is serving to underpin the market.

It is also the area of the property market where the relief brought by lower interest rates will be greatest.

relevant to the market as a whole when the official bank rate was cut by the Reserve Bank, resulting in a reduction in the Banks' prime rate.

He emphasised that psychologically the cut may have a positive effect on buyers confidence, but he felt this was unlikely to be "very stimulatory".

— Sapa.

1 pc cut now, more to follow

Finance Staff STAR 31/1/92

The mortgage bond war intensified last night when most leading banks and building societies fell into step with the one percent cut in bond rates led by First National and Standard Banks.

Amalgamated Banks of South Africa announced that its United, Allied and Volkskas divisions would all trim interest rates to 19 percent from March 1. Nedbank and NBS also confirmed they were following suit.

A newcomer to the housing finance market, Board of Executors, is offering bonds to blue-chip clients as low as 17,56 percent.

The Perm and Trust Bank were expected to announce cuts today.

Homeowners can look forward to further drops in bond rates this year.

Yesterday, there was speculation that the Reserve Bank would cut the prime

Monthly repayment of bond over 20 years

RATE	R50 000	R75 000	R100 000	R125 000	R150 000	R200 000
20%	R849	R1 274	R1 699	R2 124	R2 548	R3 398
19.5%	R830	R1 243	R1 660	R2 075	R2 489	R3 319
19%	R810	R1 216	R1 621	R2 026	R2 431	R3 241

Cheaper home bonds... how reductions in interest rates will cut your monthly repayments.

overdraft rate, which would mean lower interest charges for overdraft rates, hire purchase agreements and most other interest rate-linked financial arrangements.

The bank refused to comment.

Neville Berkowitz, a leading property economist, forecast that mortgage rates could be between 16 and 17 percent by the end of the year.

"On its own, the one percentage drop in mortgage rates is not significant, but it does have a major psychological impact on many

cash-strapped homeowners. "At least they can look forward to some more good news and further relief."

A bond of R75 000 will mean a reduction from R1 288 to R1 215 a month (saving R73). This increases to R140 a month for a bond of R150 000 (see graphic).

Some commentators said bond rates would have to drop by another two to three percentage points before the stagnant residential market showed a marked improvement.

● R50-bn at stake — Page 17

Two days left to win two

Bond war hots up as more rates fall

SHERIDAN CONNOLLY

THE bond war hotted up yesterday with SA's major banking institutions following First National Bank (FNB) and Standard Bank in cutting mortgage bond rates.

Absa said its Allied, United and Volkskas divisions would lower mortgage rates by one percentage point. The standard bond rate of 19% would apply to existing and new mortgages from March 1.

Nedbank deputy MD Johan Westraat said across the board bond rates would be reduced by one percentage point to 19% from March 1. The SA Perm said it too would reduce its mortgage bond rates and would give details soon.

Natal Building Society assistant GM Trevor Olivier said rates would be reduced in line with those of competitors.

FNB, the first institution to lower rates,

announced a further half percentage point rate-cut, bringing its home loan rate in line with Standard's 19%. The second cut would be effective from March 2. (123)

A spokesman for TrustBank, part of the Bankorp group, said a statement on the bond issue would be released today.

Capital market rates were steady yesterday following their sharp drop after FNB and Standard announced the first bond rate cuts. The Eskom 168 held out at 16,27% from its recent 16,37%. The RSA 2004/6 was steady at 16,78% against its 16,85% high on Tuesday. Volume soared to 2,3-billion from 866-million on Tuesday.

● Comment: Page 8

Not much bond relief

CPres 2/2/92

(123)

(2)

DO not expect too much relief from your bank or building society as a result of the cut in mortgage bond rates announced last week.

The time is simply not ripe yet for substantial declines of interest rates in South Africa. Our inflation rate is too high and our reserves too vulnerable.

The cuts, initiated by Standard Bank and First National Bank, are regarded in informed circles as part of a strategy to put the profit margins of their biggest competitor, Absa, under pressure. The United and Allied are part of Absa, which means that a large part of its assets consist of home mortgage bonds. So if Absa reduces its bond rate it could have a substantial negative effect on its profits.

In the case of Standard and First National mortgage bonds constitute a relatively small proportion of their business, which means the cuts will have little affect on their profits.

In any event, be grateful for small mercies if your bondholder is one of the rate cutters as it will save you a few rand a month in interest. If at all possible, resist the temptation to reduce your monthly instalment as earlier repayment of your bond is an excellent way of saving money.

■ MONEY TALK

.....

Do not be tempted by the attractive offers to switch your bond to one of the rate cutters. Even if they are prepared to pay your costs it may well not be worth your while going through all the hassles to transfer your bond, insurance and other business to a new bondholder. In any case you will probably find that after a few months the rate will start to creep up again as the "rate war" subsides.

This brings me to another important point. If you have an overdraft, check regularly whether or not your bank is still charging the original rate agreed upon. They have a habit of quietly pushing up rates.

Most banks are prepared to supply you with your latest overdraft rate. If it is above the rate originally-agreed upon react immediately. It is most likely that your bank manager will reduce the rate as he knows his competitors are only too keen to get your business - provided, of course, you conduct your account in a responsible manner.

A current affair

THE African National Congress is convening a national meeting on electrification to enable organisations to present their views to decision-makers. (123)

The ANC considers it "politically intolerable" that almost all white households, even those in remote areas, have electricity, whereas less than a third of black homes do. (22)

The meeting is to be held on Thursday and Friday at the Robert Leslie Building, University of Cape Town. Meeting secretary Mr. Paul Theron says attendance is to be limited to 100 closely concerned with providing electricity. *S. Times (Cm) 2/2/92*

House sales hit by SA's building slump

SLUGGISH conditions in the building industry are filtering through to the residential property market, with house repossessions increasing and signs of a drop in the number of estate agents. 212192

The Building Industries Federation of South Africa (Bifsa) says house building activity is slow, while the managing director of Seeff Residential Property in Cape Town, Samuel Seeff, warns of a shake-up among estate agents this year, with some already cutting commissions.

He says the first to go will be inexperienced and poorly-trained estate agents with limited capital who entered the market when conditions were good.

He sees the readjustment of the housing market continuing throughout the year.

Potential buyers should make 1992 the year to purchase their property, says Mr Seeff, as prices will start to rise after the period of adjustment.

Bifsa says a lack of bond finance and continuing violence and crime have led to the almost total withdrawal of private development from the lower income housing market.

In its latest building review, Bifsa says "the low income housing sector is the most seriously affected, mainly as a result of the lack of available bond finance". Building activity levels are dominated by a fiercely competitive environment and should reach their lowest point during the second half of this year, followed by a more sustainable demand in 1993 and 1994 and a fading out in 1995.

Bifsa adds that government expenditure on schools, community centres, and clinics should show sustainable growth over the next five years due to current backlogs.

"Non-residential building activity has held up well during the current downturn, which we believe to be due to continued property development investment by life offices and pension funds in a competitive building environment," says Bifsa chief economist Charles Martin.

He said the industrial market was likely to remain weak until the economy turned around, while improved occupancies will only stimulate the overbuilt office market towards 1994.

"While the commercial market is in for a consolidation phase, selected investment in black areas by institutional investors remains a real possibility if the cycle of violence can be broken."

Allegation of 'silent apartheid' as white landlords refuse black tenants

BLACK people seeking rented accommodation in elite suburbs near the city are being blocked by "silent apartheid" imposed by apartment owners.

Estate agents said some flat owners believed renting their properties to blacks could lead to overcrowding and rent boycotts and insisted white tenants be found.

Sowetan 3/2/92
Sowetan
Correspondent

A spokesman for Comp-U-Rent said most estate agents did not state that properties were exclusively for whites, but in fact some privately owned dwellings were so reserved.

"The majority of our clients are black and if agents or individuals insist on

whites only, we refuse to include them on our lists of properties," he said.

Steer and Company director Mr John van der Spuy said his agency had not encountered a reluctance by apartment owners to rent flats to people who are not white.

"The only thing flat owners have insisted we check on is that the person

who is renting an apartment can afford it. We also make sure the flat is not overcrowded," he said.

However, a 40-year-old receptionist who has been looking for a flat to rent for six months felt she was being discriminated against because she was black.

A computer letting agent had advised her that a particular agent was looking

for a tenant for a bachelor flat in a block in Regent Road, Sea Point.

A white man who was moving out of the flat was told that she could not rent it because she is not white.

The agent said: "You must understand, it is not our decision. The body corporate has decided that no blacks are allowed to live there."

Focus on the squattling issue

STAR 4/2/92



123



WIDESPREAD squatting threatens to become one of the hottest socio-political issues of the future and SA Housing Trust consultant Philip Hamm has called for an urgent "Codesa" to solve the housing crisis.

Families are setting up home in plastic, cardboard and iron shacks, either legally in informal settlements or illegally wherever they can find space.

They number millions. They are generally black, poor and often unemployed; most find it impossible to finance any improvement to their lot and all are shunned by their richer, more established neighbours. They are a vital part of the future of this country.

Mr Hamm, a civil engineering graduate from the University of the Witwatersrand who has completed two overseas post-graduate scholarships — one from the Confederation of British Industries and the second from the French Government — outlines the background of and problems related to the country's housing crisis.

Quoting an Urban Foundation report, he says the need in SA is for nearly 2 million additional low-cost houses before the year 2000, which means a total of 200 000 units a year to meet increased demand caused by population growth, according to statistics provided by the SA Housing Trust.

Added to that, about 150 000 houses a year are needed in the next eight years to catch up with the current backlog.

In order to meet the twin needs, a total of 350 000 dwelling units must be built every year until 2000. But the reality is that only 25 000 are being built annually.

The key is affordability — to house an estimated 5 million squatters in homes in the R5 000 to R10 000 bracket country-wide, he says.

The Urban Foundation claims



Housing expert Philip Hamm (left) gives his views on the problems of and possible solutions to the country's housing crisis to SHIRLEY WOODGATE. This is the first in a two-part series.

most present-day squatters were actually born in the cities and are already urbanised.

For 40 years the official blueprint had been to create separate communities and deliberate restrictions resulted in slow, illegal urbanisation.

But the sheer effort of trying to improve their lot saw many people infiltrating the cities, cramming up to 20 squatters in shacks in a single backyard in existing townships.

Past political policy not only stifled the natural process of urbanisation, but by doing so also increased the current backlog as no financial mechanisms were in place to cater for low-cost housing.

Then came the scrapping of the Group Areas Act which officially allowed people to live in places of their choice nearer to metropolitan areas. Already-urbanised people promptly sought other accommodation in preference to backyards where

they are forced to pay high, uneconomical rentals.

The new Government policy is to encourage organised squatting by making semi-developed stands available in planned areas.

Mr Hamm says what is offered is the opportunity for people to group together in minimum development townships with proper layout, mainly dirt roads, provision for storm-water, schools, shops and sports facilities but no sewerage or electricity which may be installed later.

Plots of about 250 sq m are provided with pit latrines and one tap for every eight stands.

This first step provides some kind of roof over a head, but does not address the human deprivation experienced by squatter communities.

Bare survival is the norm in the camps, which can only be dubbed "jungles of inadequacy" where about 40 percent of the poverty-stricken inhabitants

are unemployed and cannot obtain funds to build their houses.

This destructive experience — combined with lack of assistance to upgrade — leads inevitably to crime and invites disease through lack of food and hygiene.

The daily experience is in homes that leak or collapse during thundershowers, swelter or freeze in the extremes of the weather. In the corner is a stinking toilet which fills up when it rains, the places are fly- and rat-infested.

At night it is pitch-dark and women are raped or mugged when they go to the toilet; homes are plundered daily and children roam the streets unattended while their parents go to work 30 to 40 km away to earn enough to eat, Mr Hamm says.

The best and most valuable assets in a society are its children. Their growing up experiences will determine our future.

If they do not have proper homes, it does not matter how much training they receive, they will retain a certain backlog of inefficiency and emotional instability from their childhood, Mr Hamm says.

In a squatter settlement the status of women is low. In this type of environment, society eventually degenerates to the survival of the fittest.

Elevating the status of black women in South Africa is one component of the key to the future, Mr Hamm believes.

The future of the nation as a whole will be determined by housing people properly in affordable homes, then attending to their schooling and health.

These conditions are the best form of birth control, with wanted children the best investment a nation can make.

The level of human experience in these areas needs to be exposed as it will leave an indelible mark on South African society, Mr Hamm says. □

●TOMORROW: Mr Hamm will outline possible solutions.

Business interrupted in accordance with Rule 180C(3) of the Standing Rules of Parliament.

Housing assistance: Whites

(123)

*3. Mr P G SOAL asked the Minister of Housing and Works:
What amount was spent by the State in respect of housing assistance to the White population group in the latest specified financial year for which figures are available?

B15E

B43E

The MINISTER OF HOUSING AND WORKS:

The MINISTER OF HOUSING AND WORKS:

(1) There were still 905 dwelling units subject to rent control as at 31 December 1991;

An amount of R86 080 544,00 was spent by the Department of Local Government, Housing and Works in respect of housing assistance during the 1990/91 financial year which ended on 31 March 1991.

(2) 996 units were conditionally exempted from rent control during the period 1 January 1990 to 31 December 1991 subject to the granting of continued protection to the tenants thereof if and for as long as such tenants comply with the prescribed requirements for continued protection.

Rent-controlled premises: Cape Town Gardens

*4. Mr K M ANDREW asked the Minister of Housing and Works:

HOUSE OF DELEGATES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the interpellation, indicates the original language.

Own Affairs:

Shallcross link road: recovery of money

The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Housing:

Whether any arrangements have been made to recover from the Development and Services Board and the Durban Municipality money spent on the Shallcross link road; if so, what are the details of these arrangements?

DSE.INT

The MINISTER OF HOUSING: Mr Chairman, in response to the interpellation put by the hon the Leader of the Official Opposition, I wish to say the following.

The final cost will only be established when the project has been completed, after which the ongoing negotiations with the relevant authorities for the recovery of funds outlaid in respect of this project can proceed.

This road is being built at the request of the Development and Services Board, the local authority responsible for the Shallcross area and following representations made by the local MP supported by the Shallcross Local Affairs Committee.

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, I should like to place on record that I am not arguing the merits or demerits of this road. It is necessary and it is there for the general benefit of the residents.

In this regard, however, the House of Delegates is acting as a financing institution. We do not give grants for roads. This is the fastest project ever undertaken in the history of the House of Delegates. In record time the plans for the road were drawn up, tenders called for and contracts awarded. It is just like the House of Delegates going to a man's property, drawing up the plans for his house, awarding the contract, building his house and completing it without any binding

arrangement as to the recovery of the cost incurred. That is the reason for my question.

I want the House to know whether or not it is correct that the director-general of the Administration received a letter from the Durban Municipality which, in blunt language, told him to "go to hell" because this road was supposed to promote a business venture. I want to know that. If this was not brought to the attention of the hon the Minister, I want to know why not, because I have a photocopy of that letter. It actually conveys a blunt message to the effect that a statement was made in the House that the road was supposed to promote a commercial venture and that therefore the Durban Corporation is not paying.

I warned the Ministers' Council before the contracts were awarded that they should tie up arrangements for the recovery of the R6 million. We are telling every hon member of Parliament that there is no money for housing, but the picture as far as our money recovery is concerned, is dismal. This is a House of Delegates project and I believe the House of Delegates must emerge from it with integrity. The full facts have to be placed before the community and this House.

I want to say to the hon member for Cavendish that I am not opposing this road, but we should do things properly. I understand that the cost has escalated to R7 million, and yet we have not made any arrangements for the recovery of this amount. I want to know when we received a letter from the Development and Services Board requesting that this road be built. If there was a request from the Development and Services Board, we want to know when this was decided by that Board.

I still maintain that this road has nothing to do with any housing scheme or development. It is going to become a scandal. I am not trying to score points and I will not do so in the future, but I believe the House of Delegates has to retain its credibility. I want to say that I warned the Ministers' Council before the contracts were awarded that they should reach binding arrangements with the local government structures for getting the money back. [Time expired.]

The DEPUTY MINISTER OF HOUSING: Mr Chairman, one can fully understand the comments made by the hon the Leader of the Official

ARL 4/2/92

House prices tipped to outstrip inflation ⁽¹²³⁾

TOM HOOD, Business Editor

HOUSE prices are expected to rise by 2 percent above the inflation rate — or about 15 percent in nominal terms — according to the country's largest banking and building society group today.

Prices performed generally well in spite of the recession and the prospects for further strong increases in 1992 seem favourable, comments the quarterly housing review of Amalgamated Banks of South Africa (Absa), which includes United Building Society.

Countrywide, house prices kept good pace with inflation in 1991, reported Absa, and prices rose 16 percent on average. The CPI inflation rate was 15,2 percent.

In the December quarter the value of real estate transactions jumped by 19 percent on the figure of a year ago.

The average price of a medium-size house (176 square metres) in the Western Cape rose 21 percent last year to R152 600, with a rise of 4 percent in the December quarter.

Small houses (114 square metres) showed a 16 percent growth to R113 900 on average, while large houses (263 square metres and more) increased by 14 percent last year, which was below the inflation rate.

In four years the average price of a medium-size house in the Cape had jumped by 66 percent from R91 700 to R152 600, according to Absa.

December quarter Rises in other areas were: Durban 6 percent, East Rand 4 percent, West Rand

3 percent and Pretoria 1 percent, while Northern Cape and Free State prices dropped by 1 percent.

Building costs rose by 14,7 percent last year to about R790 a square metre.

"Inflation is expected to fall only gradually in the months to come and sharp increases in interest rates are not envisaged, but mortgage rates should fall by about 2 percentage points in

1992."

Repayments on a 20-year bond for 80 percent of the value of a medium-size house (that is a R100 000 bond), amounted to R1 703 a month at the year-end, which was 11,2 percent more than the repayment on a comparable house bought a year earlier.

However, expected cuts in rates this year could lower bond repayments by about R16 for every R1 000 borrowed.

Let's take the risk of having homes for all

STAR 5/2/92

WHILE squatters in other countries comprise mainly dropouts from modern society, South African "squatter camps" contain many potential-ly stable, professional and middle-class people who are there because they are politically disadvantaged, according to SA Housing Trust consultant Philip Hamm.

He says it is obvious that such people will react positively to social upliftment initiatives.

In such a case, the State must act as a catch-net to provide some humanitarian relief and shelter for the people.

"It would be irresponsible to shout 'fire' in the emotional theatre of low-cost housing and crowded squatter camps, without also stressing that South Africa has the inherent economic strength, manpower and technical ability to master its housing crisis," he says.

Mr Hamm says that at the root of the immediate problem lies the "risk factor" associated with the provision of small bonds in the low-cost housing

sector. The reality is that it is uneconomical for financial institutions in the private sector to issue small home loans because of the run-away costs of administration, which could be as high as R100 a month on a R10 000 bond requiring repayments of about R180 a month.

At this level, if the owner defaults or takes part in a rent boycott, the total loss to the building society is serious.

Mr Hamm says as a priority it is necessary for the financial institutions and civic organisations to sit down and hammer out ways to address the risk factor and find systems where private-sector institutions can move downmarket and invest in mass housing schemes.

But putting a finger on the crumbling dyke will not avert the threatening human disaster, he says. Increased participation by financial institutions alone

will not redress the dismal housing performance.

Any rethink on housing planning should involve the following strategies:

- It must be realised that the lack of suitable housing is a worldwide phenomenon.

For some considerable time the United Nations Commission on Human Settlements has been working on global strategies to improve human living conditions, particularly in developing countries. South Africa could benefit greatly by co-operating with UNCHS activities and learning from the misfortune and successes of other nations.

But while certain operations, including financial systems, standards, qualities and future upgrading, are universal, the final solutions must be tailored to South African conditions.

- Aiming for community involvement is a vital aspect. Under

In the last of a two-part series, housing expert Philip Hamm offers possible solutions to the country's housing crisis. SHIRLEY WOODGATE reports.

the respectable banner of UN participation, the local community may be more inclined to become an active driving force.

One of the most useful prospects would be partnership with black business communities to manage and maintain urban development programmes. This means majority shareholding by black businessmen in partnership with private enterprise to build and administer downtown housing projects.

Activities at this level may not solve all the housing needs, but here an important parallel can be drawn with the taxi industry, organised by Fabcos

and Sabta. They have established a commuter service second-to-none on the African continent in only six years, where banks and private investors have invested more than R1 billion without being concerned with the risk factor.

Full participation by black builders to facilitate job creation is also a vital part of community involvement.

Here, the African Builders Association could play a role. Obviously, the management and technical skills of the builders will have to be enhanced by suitable training and control.

- The overall emphasis should be on the holistic approach in

terms of transport, education, health care, shopping and recreation, which must be considered as part of the total exercise, since people existing in this type of development live not only better but also more economically, says Mr Hamm.

The biggest cost-saving lies in cost-effective transport systems, affordable creches, schools, and private shopping and recreation centres.

Transport and the cost of travel to work is a serious problem which must be addressed.

- The State must make its contribution. In developing nations one finds three strong elements in state departments: in education, housing and health care.

In South Africa there was a single strong housing department eight years ago, but it became tainted as it was considered to be an arm of the Group Areas Act. Now we must enter

a new era where the private sector must vigorously take on the task of providing mass housing, and the Government role must be one of policy-making and co-ordination.

A typical problem is the haphazard application of subsidy schemes which has created confusion and frustration in the competitive open market.

In some areas, home-owners' repayments vary between R100 and R800 for virtually the same type of house. And property developers are stuck with developed stands which they cannot sell because free stands are available just across the road.

This confusion is partly the cause of rent boycotts and the reluctance of home-owners to make monthly payments on their bonds.

The situation in South Africa is unique as most of the housing shortage was created by the apartheid system.

Finally, Mr Hamm says, it must be stated that all South Africans must accept that in a new political dispensation, supporters of the new government can justifiably expect some improvement in their situation. Therefore, any future ruling party may be compelled to take drastic action to solve the social problems, which may have far-reaching effects on the stability of our present socio-economic systems.

So it is necessary to take a leaf out of the Codesa book, where a political transfer is managed exceptionally well by negotiation.

It may be possible to move closer to solutions in this major area if all important players are brought together soon to solve the housing crisis.

Otherwise, the problem could well become so serious, that a future government may be justified in nationalising some available funds, as the only solution to human suffering from the ground up, he says. □

Violence deters foreign buyers

B/day 5/2/92
123

PETER GALLI

INDUSTRY sources do not expect the ailing residential market to be rescued by overseas buyers — at least, not in the short term.

In a Multi Listing Service (MLS) survey carried out for Business Day, Pam Golding Estates and the Seeff Property Organisation said that despite excellent foreign interest in the SA property market, there was little chance of a surge in foreign buying until the threat of political violence was removed.

The companies — the two largest estate agencies actively canvassing overseas buyers — formed part of a survey on MLS members to determine the potential number of foreign buyers.

While all of the members were optimistic that there would eventually be a strong foreign buying force, they felt this would only materialise once full political unity was achieved.

"While foreign interest in SA property is high, perceptions of SA still remain extremely negative," said Seeff Property Organisation director Rob McKee.

McKee, who has just returned from a tour of seven countries to promote SA property, said all the television coverage of SA he saw during his trip projected confrontation and ignored the strides made towards peace.

Pam Golding director Cecil Golding agreed that the "shadow of violence" was the main factor discouraging foreign buying. The group supports offices in four European countries.

"In 1990 we sold 73 properties to overseas buyers, and this rose only to 75 in 1991. Early 1992 sales have been to Nigerian, Italian, German and British buyers," Golding said.

Seeff Property also recorded a marginal improvement in offshore sales in 1991, which included three sales on the Atlantic coast in 24 hours. Two properties were sold to a German and one to a Monte Carlo resident.

Also acting against the local market were high interest rates, safer investment opportunities elsewhere and slow turnover of overseas properties.

"Last week's one percentage point interest rate cut for mortgage bonds will have little effect in stimulating foreign interest — large cuts are essential," McKee said.

About 700 Britons, all qualified for SA permanent residence, were unable to sell their homes in the UK, he said.

There were also stagnant markets in Germany and the US.

Sale of plots 'can ease backlog'

B/day 5/2/92
123

PETER GALLI

THE sale of more than 24 000 serviced plots lying unused throughout SA could significantly ease the housing backlog, says House of Representatives deputy director of housing John Hopkins.

The plots were financed with loans from the House of Representatives allocated for low-income earners, and range in price from R9 000 to R16 000.

"Local authorities own more than 90% of these properties, which are to be sold at cost to individuals who qualify for state subsidised housing. The money thus earned could be used to finance further housing," he says.

More than R300m of capital is tied up in these properties which are not being

developed because state funds for low income housing have dried up.

The authorities need to develop the properties now in the best possible way for the benefit of the community, Hopkins says.

The House of Representatives recently announced it would increase the maximum gross income and loan limit for qualifying individuals to R2 000 a month and R35 000 respectively.

"The loans, which apply to land purchasers only, are granted at a subsidised interest rate. The owner is then encouraged to build his own starter house that can be upgraded as income improves," he says.

To accommodate the needs of owners who are building for themselves, many local authorities have relaxed building regulations by allowing builders to occupy the site during construction.

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Expert calls for an urgent indaba

Sowetan 5/2/92

(123)

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WIDESPREAD squatting threatens to become one of the hottest socio-political issues of the future and South African Housing Trust consultant Mr Philip Hamm has called for an urgent "Codesa" to solve

the housing crisis.

Families are setting up home in primitive plastic, cardboard and iron shacks, either legally in informal settlements or illegally wherever they can find space.

They number millions. They are generally black, poor and often unemployed; most find it virtually impossible to finance any improvement to their lot and all are shunned by their richer, more estab-

lished neighbours.

They are a vital part of the future of this country. Hamm, a civil engineering graduate from the University of Witwatersrand who has completed two overseas

post-graduate scholarships - one from the Confederation of British Industries and the second from the French Government - outlines the background of and problems related to the country's

housing crisis.

Quoting an Urban Foundation report, he says the need in South Africa is for nearly 2 million additional low-cost houses before the year 2000, which translates into a total of 200 000 units

on housing

Sowetan

5/2/92

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a year to meet increased demand caused by population growth to the year 2000 alone, according to statistics provided by the South African Housing Trust.

Added to that, about 150 000 houses a year are needed in the next eight years to catch up with the current backlog.

In order to meet the twin needs, a total of 350 000 dwelling units must be built every year until 2000.

But the reality is that only 25 000 are being built annually, a mere fraction of the demand.

The key is affordability, to house an estimated five million squatters in homes in the R5 000 to R10 000 bracket, in informal housing settlements country-wide, he says.

The Urban Foundation claims the major proportion of present-day squatters were actually born in the cities and are already urbanised.

For 40 years the official blueprint had been to create separate communities and deliberate restrictions resulted in slow, illegal urbanisation.

But the sheer effort of merely trying to improve their lot, saw many people infiltrating the metropolitan areas, cramming up to 20 squatters in shacks in a single backyard in existing townships.

Past political policy not only stifled the natural process of urbanisation, it thereby increased the current backlog as no financial mechanisms were in place to cater for low cost housing.

Then came the scrapping of the Group Areas Act which officially allowed people to live in places of their choice nearer to metropolitan areas. Already-urbanised people promptly sought other accommodation in preference to backyards where they are forced to pay high, uneconomical rentals.

The new Government policy over the last two years is to encourage organised squatting by making semi-developed stands available in planned areas with basic services.

Hamm says what is offered is the opportunity for large numbers of people to group together in minimum development townships with proper layout, mainly dirt roads, provision for stormwater, schools, shops and sports facilities but no sewerage or electricity which may be installed later.

Plots of about 250sqm are provided with pit latrines and one stand tap for every eight stands.

The Urban Foundation reports that many of these squatters have homes in the homelands and may not require permanent accommodation in the cities.

This first step provides some kind of roof over a head, but does not address the human deprivation experienced by squatter communities.

Bare survival is the norm in the camps, which can

P.T.O

Sale of plots can ease home backlog

123

Sowetan
THE housing backlog in the coloured community could be eased by selling the more than 24 000 serviced plots which are lying unused, says deputy director of housing, Mr John Hopkins.

He said the plots, which are selling at from R8 000 to R16 000 each, were financed with loans from the House of Representatives for low-income earners.

"Local authorities own more than 90 per cent of these properties which are to be sold at cost to individuals who

6/2/92
By JOE MDHLELA

sidies," Hopkins said.

Hopkins appealed to all authorities to develop such properties in the best possible way to the benefit of the community.

"More than R300 million worth of capital is tied up in these properties which are not being further developed because State funds for low-income housing has dried up.

"If these properties are not used for housing soon, they could fall into disuse," he

qualify for State sub-said

Don't overstate income for loan

Sowetan 6/2/92

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INDIVIDUALS who overstate their salaries so that they can get home loans from banking institutions run the risk of getting into financial difficulties sooner rather than later.

According to Perm marketing manager Mr Richard Ford, you should never be tempted to overstate your income in your loan application.

"You will not be fooling the financial institution; you will be fooling yourself, and risk running

By **JOE MDHLELA**

into financial difficulties sooner or later."

He said all people had only limited money to spend.

"Yet every day we face endless calls on our resources to provide for a variety of things for ourselves and our family."

He said determining how much you should spend on a house depends on whether you can afford the monthly instalment on the home loan.

He advised that visiting

a building society or a bank for an advice would be ideal.

"There an experienced person will explain all the elements that make up the cost of owning a house, and explain the price level your income allows you," he said.

The simple rule of thumb, said Ford, was that for every R500 of monthly income, one could buy R10 000 worth of house.

"In other words, if you and your spouse earn R1 000 a month, you can afford a home of R20 000. At R1 500 a month, it will be R30 000, and R3 000 it

is R60 000," Ford said.

He said another rule to remember was to multiply the monthly salary by 20.

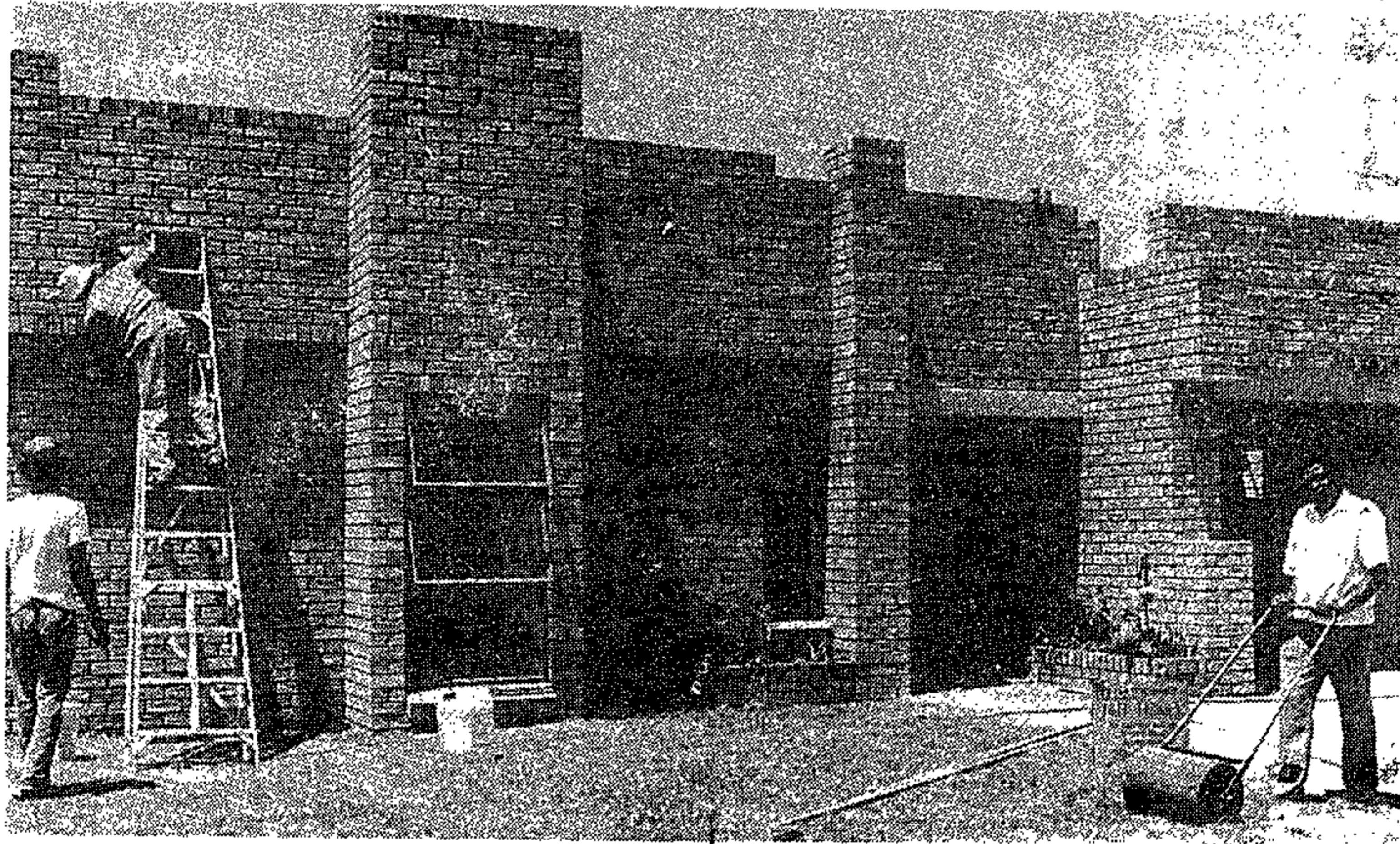
"If your income is R2 000 a month, you should be able to afford a house costing R40 000."

Ford warned that it was important that the costs are explained to a prospective home owner.

"This way you will avoid unpleasant surprises later on," he said.

He advised that a bigger deposit reduced the amount of the loan.

"The less you owe, the less interest you pay," he said.



When applying for a housing loan from the banks or building societies, take care to work out just how much you need. If you borrow too much the high interest rates could put pressure on your budget and you will find it hard to meet your commitments.

Low-cost housing industry grinding to a halt - experts

Sowetan 6/2/92

SOUTH Africa's home building industry for the "affordable" income group is grinding to a halt due to a number of problems facing the industry.

According to experts in the industry, there is an entangled housing policy, waiting for the De Loor Commission report to give it direction.

Then, the state of the economy and the high interest rate on mortgage bonds have made "affordable" homes "unaffordable," they maintain.

Thirdly, and most significantly, the disrupted socio-political environment in the black residential areas where these homes are provided has scared off the institutions which normally advance mortgage bond finance.

Time Housing financial director Mr Norman Jeffrey says that, despite a number of announcements of billions of rand being injected into socio-upliftment programmes, the pace of house building is slumping alarmingly.

Major players in this programmes include the Independent Development Trust, the Urban Foundation, the private sector and the Government.

Jeffrey said: "There are about 18 000 houses built in this so-called affordable market in 1989," he said, adding, "This dropped to 15 000 in 1990 and fell to some 10 000 units this year.

"This is at a time when millions are homeless."

He painted a stark picture for the future for those wishing to buy homes in the R40 000 to R70 000 price range unless there were some major structural changes.

He held out some hope in the De Loor Commission's report on housing which is expected now to be released this month.

It was originally scheduled to be released last year.

Jeffrey criticised the decision by the IDT to give low-cost housing capital hand-outs (R7 500 a unit) as it impossible to satisfy the enormous demand and was creating further expectations that could not be met.

"In addition to creating expectations for those who also qualify for the capital subsidy and cannot get one, those who have purchased their properties previously without the subsidy are now bitter," he said.

Since it opened its doors the IDT has received and marshalled its funds, established its philosophical and operation principles and allocated more than R1,4 billion to about 150 major housing, educational and health-related projects, according to chairman Mr Jan Steyn.

He said: "This took place against a backdrop of momentous political upheaval, and of socio-economic conditions and trends which variously gave cause for great hope and despair.

"These factors brought intense urgency and pressure to bear on the trust's operations," he added.

Jeffrey said: "These enormous sums of money should be used as a catalyst to stimulate investment in housing. Instead of granting lump-sum payment up front, it would be much better to subsidise first-time home buyers' interest costs over an extended period.

"This would create a much needed multiplier effect in gearing finance.

"Political unrest, violence and non-payment of bond instalments appear to be retreating and this improved climate should reintroduce to the industry the sorely needed loan finance from the financial institutions.

HOUSE PRICES

FM 7/2/92

Keeping up with inflation

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Absa's Quarterly Housing Review (October-December) coincided with the announcement by some banks of a one-percentage-point drop in mortgage rates.

The fall is welcomed by estate agents who feel it is likely to have a good effect on the market. More important, believes Pam Golding Properties executive director Mike Bisset, is that the move is a "precursor of a downward trend in bond rates."

He argues: "While the R76-a-month saving it means on a R100 000 bond is not that significant (it's not a quick fix and I don't expect estate agents to be inundated with buyers), what is important is the feeling of confidence and optimism this step engenders. Investors who have been sitting tight will be more bullish about investing in property, capital plant and machinery and in starting new businesses."

Effects of the bond rate cut will be more clearly seen in Absa's next quarterly review

but the latest report shows that house prices kept pace with inflation last year. The average price of a medium-sized house is R119 400 — up 15% from 1990's figure, and last year wound up with an increase of 16% year-on-year in the fourth quarter.

During the quarter small houses (80 m²-140 m²) sold for R106 000 on average; medium-sized ones (141 m²-220 m²) for more than R125 000; and larger houses (221 m²-350 m²) for about R170 000. In real terms, the annual change was: 0,1% for small, -0,5% for medium, and -3,9% for large houses.

Bisset says the real drop in the price of large houses reflects the lack of confidence in the residential market during the latter half of 1991. He notes: "The residential market, especially at the top end, is driven by business and economic confidence. The bond rate drop, with its hint of more to come, is bound to have an appreciable effect on this level of

confidence and, as a result, on the prices to be attained in the market during 1992."

Notwithstanding Absa's reported 19% year-on-year increase in the volume of transactions, Bisset expects this figure to be even greater during 1992 as the lowering of bond rates increases confidence and encourages home purchases.

According to Absa, building costs increased by only 11% (year-on-year) in the fourth quarter, bringing the total increase for 1991 to 14,7% — just below the CPI rate of about 15,2%. The rise in building costs to an average of R790/m² in the fourth quarter means that a new home is still 22% more expensive than a comparable existing house.

A 6% rise in the price of medium-sized houses in the Durban-Pinetown area in the fourth quarter was recorded; 5% in the rest of Natal; 4% in the western Cape and on the East Rand; 3% on the West Rand; and 1% in Pretoria and the rest of the Transvaal. In the

SEE HOW THEY RUN: WHAT YOUR HOME IS WORTH

House prices* in the fourth quarter 1991

	House size	Average building area	Average land area	Average price of older houses	Average price of new houses	Average price of all houses	Quarterly % change	Annual % change
1. Republic of SA	Small	113m ²	781m ²	R101 326	R128 757	R105 961	4	15
	Medium	179m ²	1 007m ²	R121 862	R179 400	R125 326	3	16
	Large	265m ²	1 302m ²	R163 618	R250 025	R170 355	3	13
2. Johannesburg	Small	111m ²	651m ²	R113 071	R153 872	R117 489	-2	3
	Medium	180m ²	822m ²	R151 848	R237 859	R160 716	2	15
	Large	268m ²	1 262m ²	R208 144	R310 296	R216 699	1	11
3. West Rand	Small	111m ²	822m ²	R104 032	R163 915	R124 608	4	19
	Medium	178m ²	1 049m ²	R124 367	R211 259	R129 616	3	16
	Large	255m ²	1 342m ²	R175 453	R292 525	R179 293	7	12
4. East Rand	Small	113m ²	889m ²	R86 982	R113 144	R93 149	6	18
	Medium	178m ²	1 015m ²	R106 592	R171 785	R107 974	4	13
	Large	262m ²	1 208m ²	R142 732	R235 809	R144 739	-1	10
5. Pretoria	Small	111m ²	921m ²	R100 811	R114 614	R101 856	2	12
	Medium	177m ²	1 110m ²	R123 901	R160 951	R127 098	1	10
	Large	265m ²	1 339m ²	R168 936	R238 178	R177 815	-1	12
6. Vaal Triangle	Small	124m ²	1 152m ²	R62 347	—	R64 256	3	11
	Medium	179m ²	1 117m ²	R75 890	—	R77 462	0	3
	Large	272m ²	1 372m ²	R118 167	—	R115 948	-1	3
7. Rest of Transvaal	Small	121m ²	1 017m ²	R79 622	R112 653	R82 069	4	20
	Medium	184m ²	1 270m ²	R86 760	R131 500	R87 789	1	3
	Large	275m ²	1 462m ²	R115 792	R170 074	R120 699	0	3
8. Durban-Pinetown	Small	114m ²	1 215m ²	R111 282	R124 796	R116 303	1	25
	Medium	179m ²	1 438m ²	R157 237	R201 293	R160 546	6	29
	Large	262m ²	1 627m ²	R205 738	R231 415	R204 315	4	21
9. Rest of Natal	Small	121m ²	1 236m ²	R97 968	R80 050	R96 641	9	37
	Medium	181m ²	1 266m ²	R108 703	R126 317	R109 763	5	22
	Large	261m ²	1 640m ²	R143 058	R202 995	R146 937	8	11
10. OFS and N.Cape	Small	123m ²	1 005m ²	R68 232	R72 547	R68 284	6	-2
	Medium	182m ²	1 157m ²	R88 278	—	R84 744	-1	16
	Large	267m ²	1 383m ²	R117 483	R157 193	R116 928	-4	12
11. Eastern Cape	Small	116m ²	700m ²	R84 884	R107 686	R85 999	2	14
	Medium	180m ²	901m ²	R110 509	R162 521	R112 107	2	15
	Large	263m ²	1 165m ²	R172 187	R246 688	R179 290	2	32
12. Western Cape	Small	114m ²	553m ²	R109 766	R130 277	R113 897	4	16
	Medium	176m ²	743m ²	R145 086	R177 371	R152 659	4	21
	Large	263m ²	988m ²	R201 944	R263 794	R207 126	4	14

*House prices lower than R30 000 and higher than R400 000 have been excluded from the calculation.

Source: Absa

FM 7/2/92

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Vaal Triangle, prices remained unchanged, while a drop of 1% occurred in the Free State and northern Cape.

Absa sees good prospects for further strong increases "given the fact that house prices have performed generally well during the recession. Real increases of about 2% are expected, which should once again amount to around 15% in nominal terms."

The bank says inflation is expected to decline only gradually in the months to come so sharp decreases in bond rates are not envisaged. Like the Bureau of Economic Research of Stellenbosch University (*Property* December 20), the bank forecasts a two-percentage-point drop in bond rates during this year. The one-percentage-point drop announced last week is included in this prediction.

Absa's expected rates cuts this year, it says, could lower bond repayments by about R16 for every R10 000 borrowed. ■

(123)
**Use mining
land — ANC**

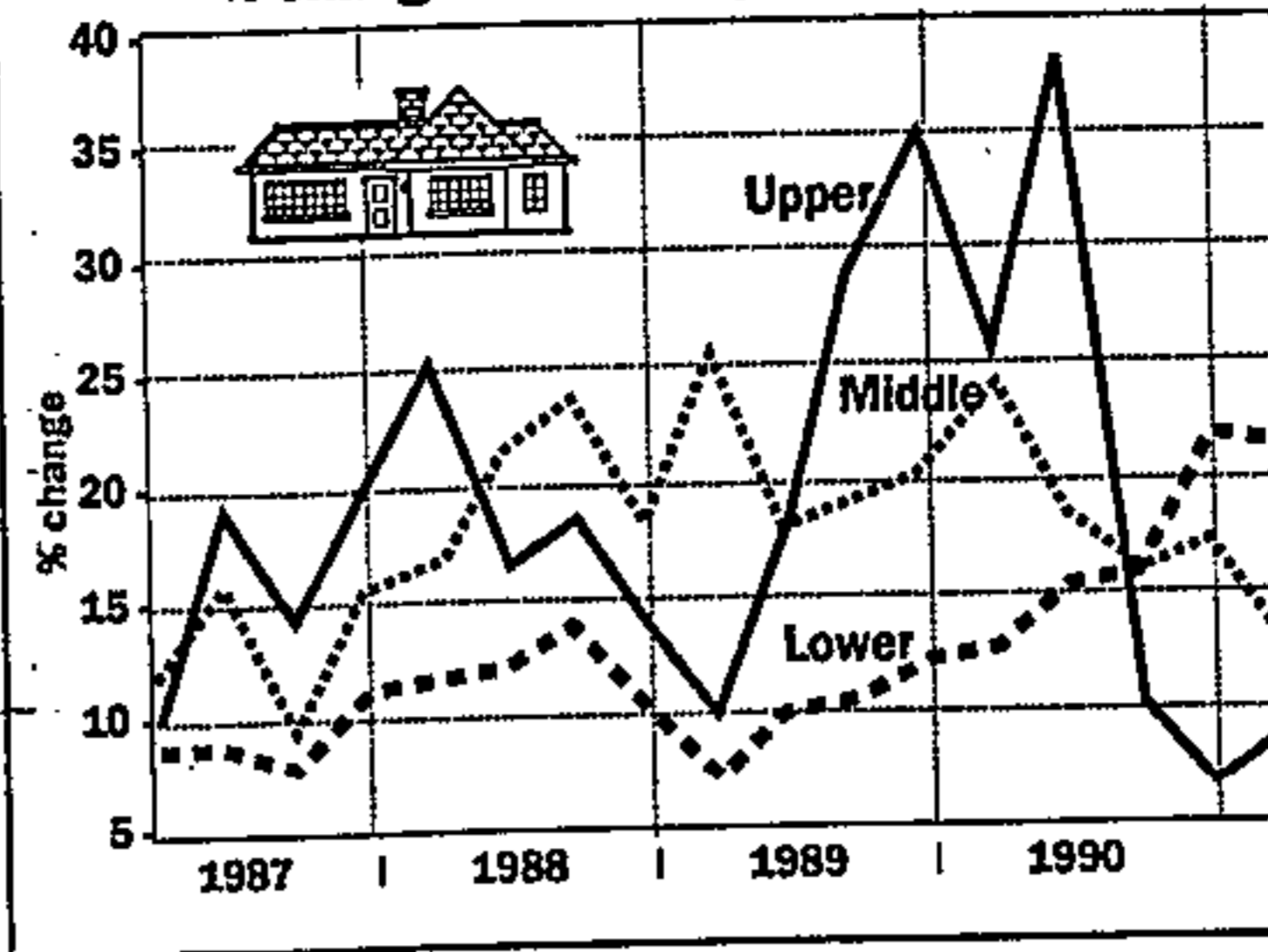
CT 8/21/92
JOHANNESBURG. — Mining land and land being held for speculation should be used for low-cost housing, the ANC said yesterday.

Urging the creation of a forum to establish a housing policy and to identify suitable land, the ANC said these steps were vital to prevent conflicts such as that involving the Zevenfontein squatters near Johannesburg.

"The assumption that mining land is untouchable should be challenged," the ANC said.

National house prices (by price class)

% change over four quarters earlier



Average rise of 14% predicted for house prices nationwide

By Frank Jeans

House prices nationally could rise on average by 14 percent this year, says Cape consultancy, Real Estate Surveys.

Erwin Rode, research director of RES, says: "This is higher than our previous forecast and, should our prediction prove to be accurate, it could bring some relief to developers' margins before the economic upturn pushes up input costs to above the growth in house prices."

He sees the number of house transactions increasing steadily during this year, the implication being that there will be more work for estate agents and conveyancers.

The survey gives a breakdown of house price growth in recent years — 1989: 16 percent; 1990: 20,1 percent; 1991: 15,4 percent.

In the past year, Johannesburg prices rose by an average 11,8 percent.

The upper market accounted for 7,8 percent, the middle-income sector 16,1 percent and the lower end 16,7 percent, indicating again how much affordability plays in the residential market today.

RES says signals from the office market suggest that the recession is beginning to bite, while

the industrial market is "hanging on by the skin of its teeth" as rents drop.

Non-residential building contractors, says the survey, are in a "state of panic as new contracts dwindle".

Capitalisation rates on average have remained stationary in most cities and across all property categories.

The exception is in non-prime offices, where cap rates are under pressure as investor confidence in such buildings diminishes.

"The office market is in a fairly depressed state at present, with an overall tendency towards rising vacancies and falling market rentals.

"Prime office rents are generally shifting downwards in most areas."

On the retail side, shop rents appear to be holding their own, although rentals in some areas are tending to slip in nominal terms.

Flat rents, on average, are still moving upwards and rental growth in most areas over the past year has outpaced the inflation rate by a wide margin.

RES believes building activity in the home sector is picking up from a low base and has a better chance for the coming year.

Lower bond rates now on offer to a selected market

STAR 12/2/92

123

Financial service and banking group The Board of Executors (BOE) has entered the home loans market, offering rates below generally available levels to selected borrowers.

Rates offered by BOE Merchant Bank are dependent on the credit rating of the client and are currently pitched at between 17,5 percent and 18,5 percent.

According to BOE Merchant Bank AGM, Richard Harman, bonds processed so far have attracted an average rate of 18 percent — at least 0,5 percent below the best rate available in the marketplace.

Most lending institutions have pitched their rates at 19 percent from March 1 only, but these rates are currently available from BOE on any new bond. These rates thus compare favourably with the 19 percent that will be available to most borrowers from other financial institutions.

BOE's average bond is R425 000.

Mr Harman says: "The savings that can be achieved are significant. A reduction of 1,5 percent in the interest rate payable on a 20-year, R300 000 bond results in a total saving of R84 386 or R351,61 a month. If these funds are applied

to reduce the bond, then the term of the bond is slashed from 20 years to 12 years and 11 months.

"Alternatively, if the funds are invested at an after-tax return of 15 percent compounded monthly, the borrower would accumulate a lump sum equal to R526 444 at the end of the life of the bond."

BOE's service is aimed at the upper income group, able to provide the security of residential property worth a minimum of R500 000. This is in line both with BOE's existing client profile, and its target market.

"Ours is a niche market where we have identified a specific mortgage bond finance requirement — that is, as a simple loan against the tangible security of their property, with the proceeds of the loan being used in any way that the borrower may require."

Mr Harman contrasts the BOE approach to that adopted by other banks and by building societies:

"Competition has stimulated the emergence of a whole new range of complex and sometimes confusing home loan products and options. For example, there are those which allow the borrower to redraw the capital that has already

been repaid and those where the capital portion of the repayment is used to buy a retirement annuity or to invest in unit trusts."

"While products of this nature have their place, our market is seeking a pure loan against existing security without a linked obligation for the additional products and services. We leave the investment option up to the client.

"In concentrating on this core product — the loan itself — we are able to give the borrower the benefit of highly competitive rates."

Nevertheless, the product remains flexible. For example, BOE clients may apply to suspend the repayment of the capital for the first five years of the loan.

"This frees, for investment, any funds that would normally have been applied to capital repayment. If a client does elect to repay capital, we are prepared to re-advance the funds at any time."

Access to a home loan facility from the bank is not easy. In addition to the security of residential property in a prestige suburb and worth a minimum of R500 000, BOE home loan clients must also have a personal net worth of about R500 000.

A range of considerations to take into account now

STAR 12/2/92.

123

Steve Bird, marketing manager, Perm home loans, who says a home loan is a home loan, notes that the one percent drop in the bond rate means two things — a range of products and a differentiated rate structure depending on the risk of the client or his or her property.

"In the past you could go to a building society and everyone got the same rate."

But with bond rates being much the same, Perm reckons that prospective borrowers must take a whole range of other considerations into account.

And topping these is service and reliability. Perm, as one of the leading mortgage lenders has been in the market a long time having started out with its head office in Kimberley last century.

Since then it has played a major role in providing homes for hundreds of thousands of South Africans of all colours and creeds.

In fact, the Perm prodly points out, it has a client base of several million and estimates that it commands a sizeable 17 percent of the home loan market.

But times have changed since the building society days. Years ago, would-be borrowers almost had to know the branch manager on a

personal basis to even be considered for a home loan.

How that has all changed. Today, Perm like all mortgage lenders is aggressive in its marketing and is there to assist people in applying for home loans.

What once was a gruelling job for the borrower and estate agent is a pleasure when dealing with lenders such as the Perm.

Home loan lending is now more like traditional bank lending and the jockey is more important than the horse; the jockey being the borrower and the horse the property. A change, indeed, from the old user-unfriendly system!

Mr Bird says banks used to look primarily at the property and the borrower's ability to repay the loan which should have come to 25 percent of his salary.

"We would check the guy but focused on the property.

"Today, however, we focus on the client in different ways."

The variables are income, stability, ability to repay and monthly expenses. And branches look at the borrower as an entire person in a much more detailed way.

"We're moving into risk assessment and following banking policy which previously the



Steve Bird, marketing manager, Perm home loans.

building societies didn't do".

Like all other mortgage lenders, Perm has a variety of options on offer and they encourage borrowers to come in and discuss the options with their highly profes-

sional staff.

With branches all around the country, they point out that they are accessible to the public and would be happy to give advice and assistance to any would-be homeowner.

Help at hand if you have a problem

STAR 12/2/92

(123)



A building contractor will issue a certificate at various stages.

Homeowners faced with high bond repayments in the economic recession have been encouraged to consult with their lending institution if their commitment becomes too onerous.

EP Building Society chief executive, Trevor Jennings, says the current state of repossession in the property market has sparked enormous concern among lending institutions.

"It is neither in the interests of the institution nor the home owner to have the property repossessed," he says.

With prospects of a drop in the prime rate and economic recovery an economic guessing game, Mr Jennings urges home owners to act as

quickly as possible if they are unable to meet their commitments.

"If the owner of a property finds himself in difficulty, he should visit his branch manager at his earliest convenience for advice on how to approach the problem.

"People need not feel ashamed of admitting they are having difficulty. We know the country is experiencing severe economic difficulties and we would rather clients moved quickly than leave it too late."

Arrangements to lessen the burden during hard times are possible, and homeowners in trouble should avail themselves to these opportunities before it is too late.

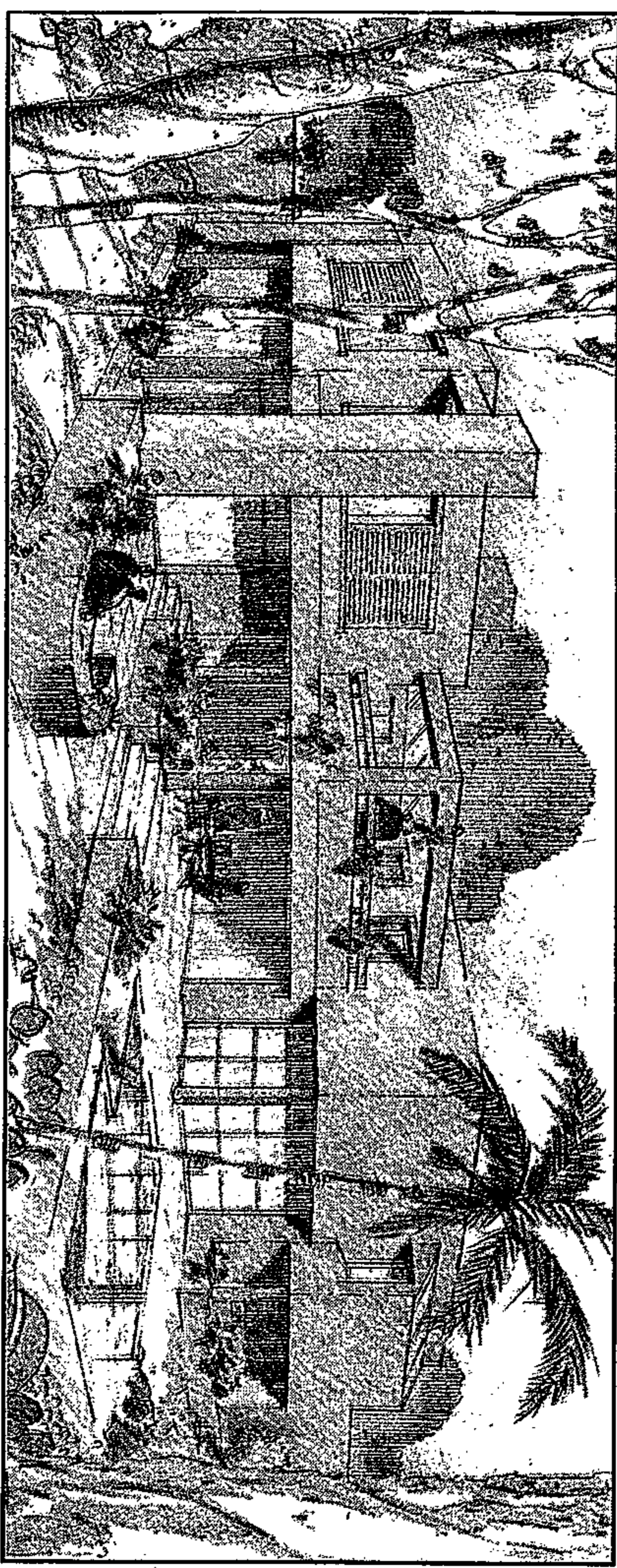


Building work in progress on a new house for the owner.

Hot competition for best package

STAR 12/21/92

(123)



The one percent drop in the bond rate from March 1 is a source of optimism to some and almost derisively dismissed by others.

Yet, for hard-pressed John Citizen, labouring under the burden of high taxation and rampant inflation, any relief is better than none.

In spite of the high cost of finance, or perhaps because of it, lending institutions are vying with one another to create the most attractive packages for different sectors of the market.

As one banker put it: "We have a six-week lead-in time for a new product."

Indeed, a survey of these institutions — the traditional building society is an endangered species — shows a wide spread of similar products, marketed, of course under dif-

ferent brandnames. There has even been legal action over terms such as "access" putting the lie to the old saw of what's in a name?

It is, however, still prudent to shop around for the best deal and bankers are only too happy to tailor one for your particular needs.

But don't be misled. Strict vetting procedures are applied by all lenders, each with its own "points system".

And the man or woman who has handled his or her finances in a disciplined way and built up a creditable and credit-worthy track record over the years is still perceived as the best risk.

Remember, too, that interest rates are subject to the law of the jungle and that, like the gold price, could go up or down.

CAPE TOWN — The residential property market would remain under pressure this year and was not expected to "come to life" until the second half of 1993, said Boland Bank group economist Louis Fourie in the bank's latest Economic Review released yesterday.

"The building industry is nevertheless showing considerably more resistance to the downward trend in

Residential market 'to recover slowly'

the economy than during the previous slump," he said. *Bl Day 12/2/92*

"Traditionally the property market takes between 12 and 18 months to respond to an upswing, which means the market will only begin to 'come to life' by mid-1993."

He said house prices had for the eighth consecutive year failed to

keep pace with inflation. *(123)*

A house sold for R70 000 in 1983 was currently selling for about R170 000. "Inflation-linked growth in house prices would have meant that the same house should have been selling for approximately R240 000." — Sapa.

Rate cuts should give homeowners a chance to assess options

Star 12/21/92

123

Plentiful finance for home loans — and more downward pressure on bond rates. That's the immediate scenario for the home mortgage market in the wake of the recent bond rate cuts, says Camdon's Group MD Scott McRae.

It's significant, he says that the banks apparently took the decision to cut rates unilaterally and did not wait for a lead from the Reserve Bank.

"The Reserve Bank appears determined to keep other interest rates high and the commercial banks are therefore to be complimented on their independent action on the home loan front.

"Hopefully this is the start of more such action including the possibility of further bond rate cuts to stimulate the home loan market.

"Further cuts would obviously be in the interests of the banks as well as their clients in that it would make home ownership more affordable for a broader base of the population.

"At the same time it would stave off the threat of mass repossessions of homes such as has occurred in the UK.

"The rate cuts, slight though they are, should give existing and potential home owners cause to re-assess their home financing options.

"The fact is that there are numerous bond products on the market today and borrowers should be aware that the traditional, straightforward bond is

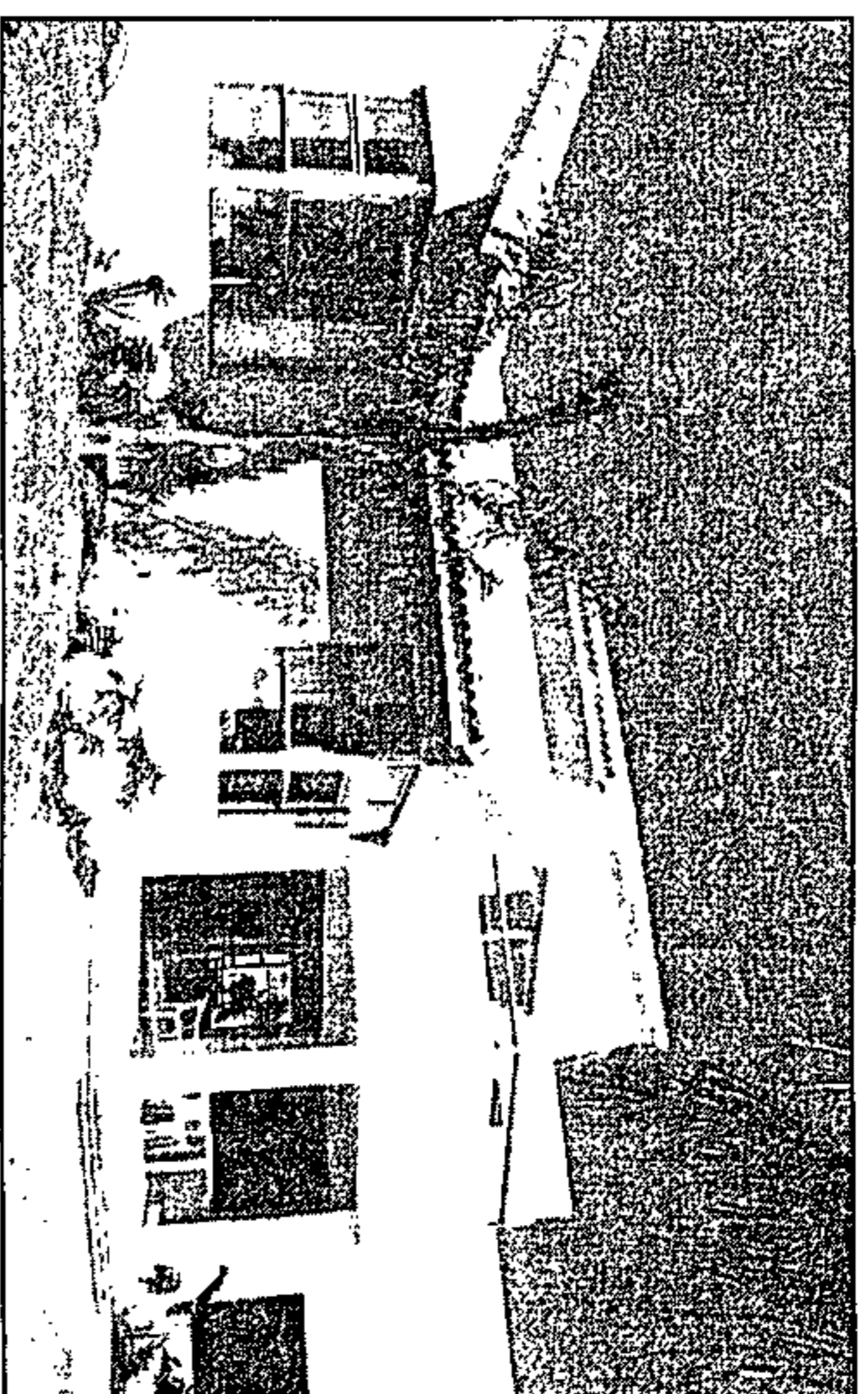


Camdon's Group MD Scott McRae.

just one of many options available.

"In fact, under the pressure of competition and to meet a growing need for individualised home financing packages, the banks, including the former building societies, have become far more sophisticated in their home loans divisions — and certainly more flexible.

"This bodes well for both existing and prospective home owners and they should shop around for the best possible arrangement to suit their particular needs.



Sold by Camdon's: an upmarket cluster development as an alternative lifestyle.

"Innovations such as the AccessBond, 25-year bonds and endowment linked bonds have been added to the product portfolio of the various banks in recent years.

"These operate on the basis of a flexible account which the borrower can top up or draw from on a monthly basis and which can be used as an inexpensive method of finance.

"Endowment linked bonds allocate part of the bond payment towards a 10-year endowment, the payout of which covers the value of the outstanding bond, effectively cutting the bond repayment period in half to provide massive savings and still tax-free cash lump sum.

"Moreover, the banks are far more flexible in their attitude to applicants and are happy to take into account the earnings of both partners when qualifying them for a loan.

"On the other hand if homeowners are finding it difficult to meet bond repayments the banks are more than willing to make special arrangements on an individual basis to avoid having to repossess homes.

"In short, homeowners should

take time to re-assess their home loan position in terms of their current and future needs. In doing so, they will find the banks more than willing to assist," says Mr McRae.

One percent is a "drop in the ocean", he says, when compared with prevailing rates overseas but it should lead to even bigger cuts and will have a positive psychological effect on the property market.

"This, in turn, will lead to an upsurge in the market which will help to stimulate the economy in general.

Mr McRae says it is essential that at least another one or two percent be shaved off ruling bond rates within the next 12 months, bringing rates to 3 percent less than present levels.

"The man in the street has had to carry an excessive bond rate for far too long a period.

"Without significant cuts in bond rates the incidence of repossessions will increase alarmingly as it has done in the UK and the institutions will be left holding an excess of stock leading to a further fall in market values.

"It is also essential for the stability of the country that

during the transition to a new political dispensation, as many South Africans as possible can maintain a roof over their heads.

"Moreover, a healthy property market is essential in terms of job creation and spin-off benefits throughout the economy."

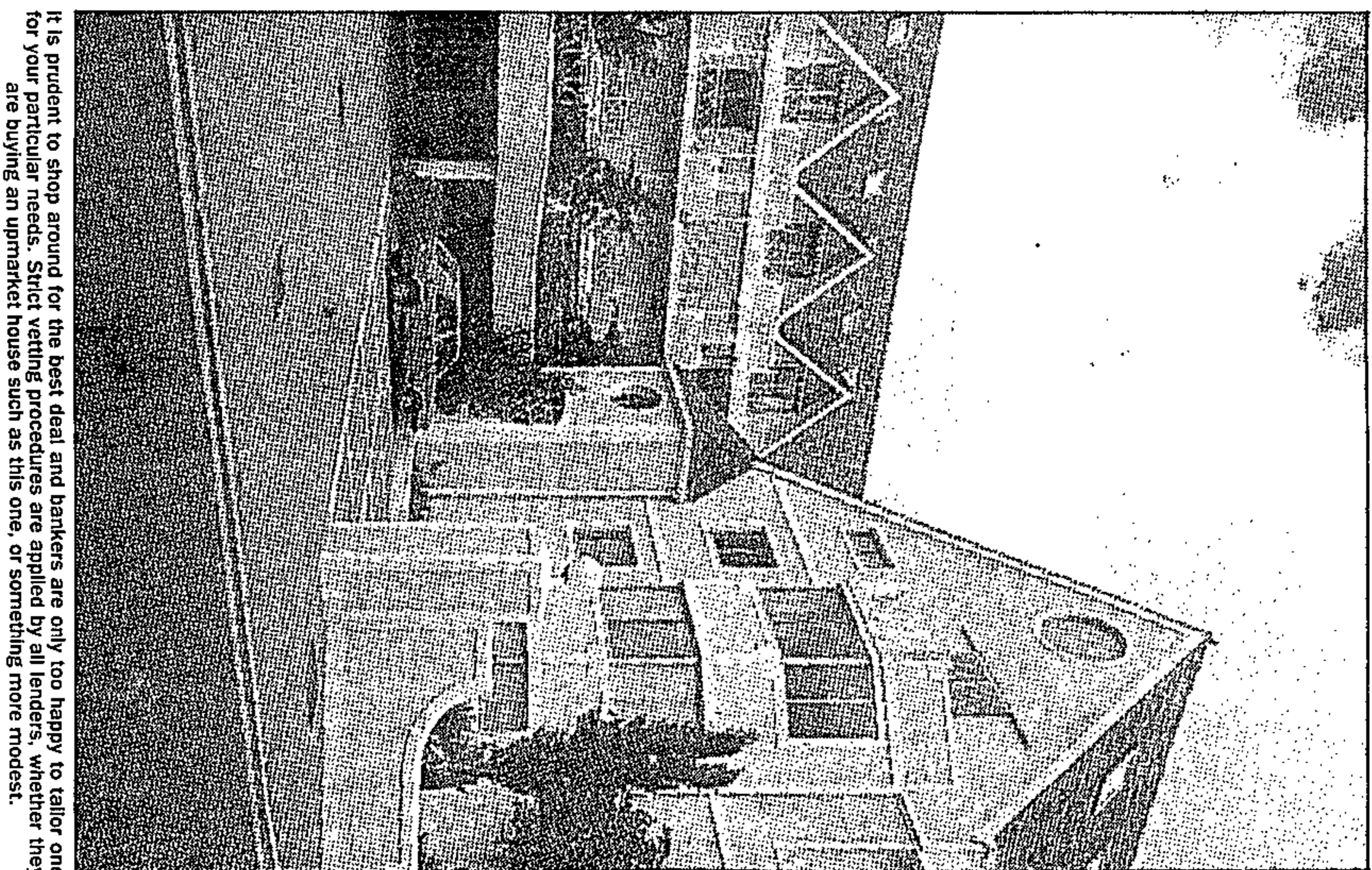
On a R120 000 bond being repaid over 20 years, a 3 percent cut in the bond rate would reduce monthly repayments by R280 a month he says. (See table below.)

Generally, says Mr McRae, the property market has held up better than could have been anticipated, in spite of poor business conditions and high interest rates.

"There are now positive signs on the horizon. The value of building plans passed is increasing, rentals are hardening, and a shortage of property is building up.

"The foundations are therefore in place for an upsurge in the market although the days of property booms are over and I hesitate to suggest that such a boom is in the offing on the basis of a mere one percent cut in bond rates.

It is prudent to shop around for the best deal and bankers are only too happy to tailor one for your particular needs. Strict vetting procedures are applied by all lenders, whether they are buying an upmarket house such as this one, or something more modest.



It is prudent to shop around for the best deal and bankers are only too happy to tailor one for your particular needs. Strict vetting procedures are applied by all lenders, whether they are buying an upmarket house such as this one, or something more modest.

Bond	Repayment Period	Rate of Interest	Monthly Payments
R120 000	20 years	20.75%	R2 109
R120 000	20 years	19.75%	R2 015
R120 000	20 years	18.75%	R1 921
R120 000	20 years	17.75%	R1 829
R120 000	20 years	16.75%	R1 737

12/92
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A winner for bond account holders

First National Bank's "cherry on the top" for its bond account holders is a R100 000 giveaway.

Anyone with a home loan, or with FNB approval for a home loan, qualifies for a monthly draw. All you need to do is complete a voucher which goes into a drum every month.

Unless you win the R100 000 first prize your voucher stays in the drum for 11 months.

If you have a R100 000

bond, for example, and you win the first prize, your bond is wiped out. Should your bond be R50 000 you get R50 000 in cash as well as paying off your bond.

There are also second and third prizes of white goods such as a fridge, stove or washing machine worth R2 500.

And the estate agent who introduces the winning borrower wins R10 000.

Apart from prizes,

FNB offers facilities such as its Up-Front-Bond which means you can search for a home safe in the knowledge that a bond up to an agreed amount has been approved in principle - and you get a certificate to prove it.

Once issued, the certificate is valid for eight weeks which gives you enough time to search for your ideal home. And, knowing that your bond has been approved in

principle means that you may well be able to negotiate a better price.

Loans of up to R150 000 are available, based on 90 percent of the valuation of the property. Loans of more than R150 000 are calculated on 80 percent of the valuation.

And if you have ideas of your own to renovate or extend your new home, FNB will provide an extra 10 percent of the loan.

Help at hand if...

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How homeowners can save a fortune

STAR 12/2/92

123

Homeowners could save themselves a fortune in the long run by continuing to pay the same (higher) instalments, rather than taking advantage of the lower repayments, according to Nedbank.

The bank points out that maintaining repayments at current levels is equivalent to a tax-free investment of 19 percent. A significant saving, indeed, for those who are constantly battling the tax man.

The bank points out that with most mortgage rates down by one percentage point to 19 percent, many homeowners must have worked out what the reduction in the bond rate would save them per month.

To many people the reduced monthly repayments might seem insignificant but by maintaining payments at the old level, the bondholder can actually save several hundred thousands of rands, Nedbank advises.

Drops

Take for example a home-owner with a bond of R100 000 repayable over 25 years. At an interest rate of 20 percent the monthly repayments are R1679. At the new rate the repayment drops to R1 598 per month, a saving of R81 per month.

Conventional home loans are structured so that the borrower repays mostly interest with only a tiny portion of the amount being applied to the reduction of the capital over the early years.

On a R100 000 loan, for example, after 15 years only R5 000 will have been paid off the capital. After 20 years the outstanding capital amount will be down by approximately 50 percent. It is only during the last five years that the capital amount is swiftly reduced. This is why it is so important to maintain bond repayments at the same level as they were before the rates were cut.

However, there is another choice. Nedbank has come up with another innovative idea, suggesting that the saving generated by a reduction in bond rates

should be invested in a unit trust on a monthly basis.

Assuming unit trusts perform roughly in line with historical figures, this would result in a capital nest egg of about R22 000 after nine years. Over longer periods the average growth rates have been even higher. However, as the interest portion of unit trusts exceeding R2 000 is taxable, the after-tax return depends on the marginal tax level of the individual. A marginal tax rate of 30 percent would result in a return of 18,83 percent while a marginal tax rate of 40 percent would produce a return of 18,31 percent.

The minimum return on the unit trust fund required to ensure that the final investment value is equal to the outstanding loan balance upon expiry of the loan period, is 10 percent. However, this would entail a sharp deviation from the long-term growth performance of unit trusts and equity markets.

The recommendation then is that the monthly savings generated by lower interest rates be paid either into a unit trust for the remainder of the loan period or as further reduction to the loan.

Using the bond of R100 000 at an interest rate of 19 percent, the figures will look as follows:

- Conventional bond - monthly repayments: R1598.
- Unit trust link bond: Interest R1593.
- Unit trust contribution: R75
- Capital reduction: Nil.

Assuming that a growth rate of 20 percent is achieved, the value of the unit trust investment would be R639 536 after 20 years. After repayments of the loan balance of R100 000 the investor is left with R539 536.

If the borrower decided to sell his house after, say 18 years the value of the units would be sufficient to repay the loan in full and he would still be left with an investment of R56 143.

Nedbank suggests that

homeowners link their home loan to an investment in unit trusts. Clients will pay only the interest on their home loans and they invest the rest in unit trusts, and at the end of the loan period, the invested capital should have grown to a point where it can comfortably repay the capital borrowed and there should be a store of extra capital left over.

Nedbank has three home loan linked unit trust options on offer. It also suggests that one should invest the differential income in unit trusts or supplement an existing portfolio of unit trusts.

This way, a substantial return on the investment can be achieved - the money will grow beyond the inflation rate.

The bank believes that bond rates are only one factor that a borrower should consider. They maintain that service is the distinguishing factor in the home loans market because bond rates are much the same and so are the home loan products.

Because Nedbank regards clients as individuals who have different priorities, needs and wants from one another, where home loans are concerned they say that individual needs must be taken into account.

Locality

Individuals or families choose homes that suit the way they live. They look for a locality and style that makes them feel at home and comfortable. A home loan should, therefore, be flexible enough to meet a variety of requirements and it should allow for changes in lifestyles, aspirations and economic circumstances of clients.

Here is a brief rundown of the options available from Nedbank when borrowers want to choose a home loan:

1 A negotiable repayment period up to 30 years.

2 Consideration of joint incomes where appropriate.

3 A negotiable period of grace of up to three

months once a bond is granted, during which time no instalments need be paid.

4 Clients can elect to pay interest only for up to five years.

5 A Nedgrowth instalment can also be negotiated. This is linked to the UAL Unit Trust. At the end of the loan period, the invested capital should have grown to a point where it comfortably repays the capital borrowed and there should be somewhat spare capital after this is paid off.

There is also a Ned-Revolve action. When amounts larger than the instalment is paid into a home loan account, considerable tax savings are generated, and the client has the benefit of an advance of R2 500 plus per month.

Nedbank's interest rates, they point out, are market related and always competitive.

When it comes to transferring bonds from one bank to say Nedbank, Nedbank pays the legal registration costs, where the properties purchased require a loan of R80 000 or more.

All legal costs involved in cancelling a bond so that the bond can be transferred to Nedbank are carried by Nedbank including registration costs where the amount exceeds R80 000.

Where considering applying for or transferring a bond, Nedbank's advice is that the home loan market should be thoroughly investigated. There are various bond options available from the different financial institutions and because a home loan, more often than not, results in a long term relationship with a financial institution, a client must be satisfied that he gets the service and the products most suited to his needs.

Generally, few clients transfer bonds frequently. First, because most establish a relationship with their institution which is not often easily replaced, and second, there is a great deal of work including paperwork, etc. involved which is time-consuming and it also requires a lot of effort especially on the part of the client.

URV

Range of savings, readvancement facilities available on home loans

Special 12/2/92

123

Savings and readvancement facilities on home loans are not all the same says Duncan Reekie, GM, Standard Bank home loans division.

With Standard's advanced electronic communication network, he says these facilities can be processed within 24 hours.

Take for example the bank's patented AccessBond. This is a savings vehicle that enables you to deposit surplus moneys with ease. The savings benefit is the reduction in your monthly interest commitment under the bond while the surplus moneys are in the account.

When interest rates are high spare money can be put to good use via AccessBond. And interest on an AccessBond account is calculated on daily balance which means you receive the benefit of your surplus funds on the day they are deposited to your AccessBond account.

Another aspect of AccessBond is its convenience. You can access it via AutoBank, pay into it with ease and withdraw your surplus moneys in multiples of R1 000 a month via your AutoBank cheque, savings or MasterCard account after the normal clearance period of 10 days has elapsed.

Mr Reekie claims that no other home loan gives you this convenience and flexibility, no



Standard Bank general manager Duncan Reekie.

difficulty about depositing moneys and above all no restrictions on the withdrawal of those surplus funds.

Withdrawals, however, can only be transferred to those of your accounts with the Standard Bank linked to your AutoBank card and cannot be made in cash.

Where collateral security for your bond is held by Standard Bank, the formal written consent of the guarantor would

have to be obtained before additional credit or deposit facilities would be permitted.

If you have a home loan elsewhere a Standard Bank home loan advisor will tell you how to switch your loan to Standard with ease.

Standard also has an endowment linked option feature which offers competitive monthly bond instalments based on ruling home loan interest

Amount of Loan	20 years R16,21/R1 000	25 years R15,98/R1 000	30 years R15,89/R1 000
R 50 000	R 810,50	R 799,00	R 794,50
R 70 000	R 1 134,70	R 1 118,60	R 1 112,30
R 80 000	R 1 296,80	R 1 278,40	R 1 271,20
R 90 000	R 1 458,90	R 1 438,20	R 1 430,10
R100 000	R 1 621,00	R 1 598,00	R 1 589,00
R125 000	R 2 026,25	R 1 997,50	R 1 986,25
R150 000	R 2 431,50	R 2 397,00	R 2 383,50
R175 000	R 2 836,75	R 2 796,50	R 2 780,75
R200 000	R 3 242,00	R 3 196,00	R 3 178,00
R225 000	R 3 647,25	R 3 595,50	R 3 575,25
R250 000	R 4 052,50	R 3 995,00	R 3 972,50

Source: FNB

WHAT HOME LOANS COST PER MONTH AT 19% PA

rates. The endowment option means a guaranteed bond repayment, opportunities for early bond settlement, tax-free growth potential and life cover.

This way your bond will operate on an interest only basis. The difference between the interest and what would have been paid in respect of the capital reduction under a conventional bond is applied as a contribution to a Liberty Lifestyle endowment policy.

Your contributions to the endowment option will escalate at 15 percent a year to protect the real value of your capital.

A fully paid home from a tax-free guaranteed investment, Liberty Life guarantees that the proceeds of the endowment policy will cover the capital portion of the bond over the arranged payment period.

With Liberty Life's track record there is every likelihood there will be enough investment growth in the endowment policy to enable payment of the bond up to five years earlier.

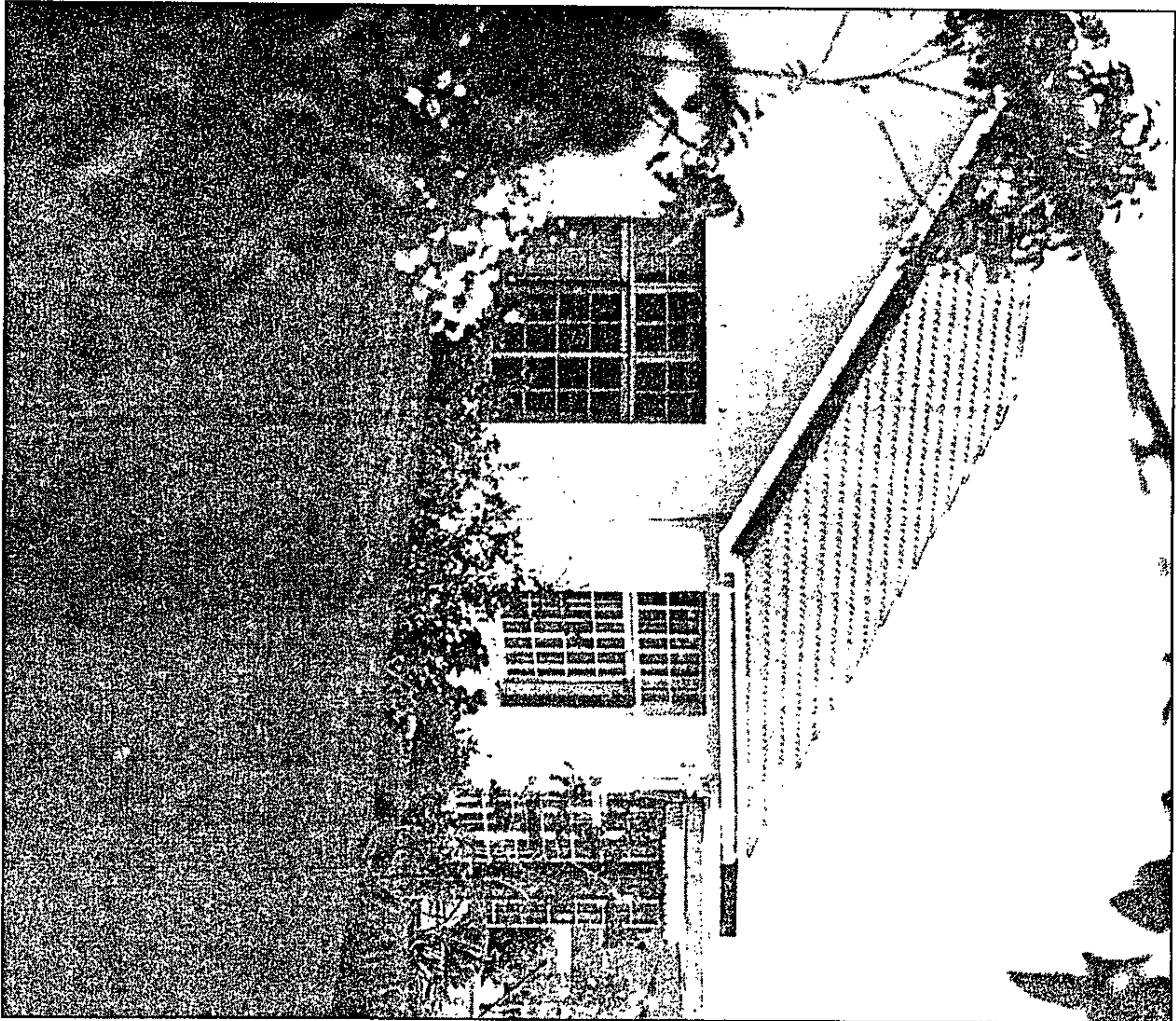
Should you prefer to continue paying into AccessBond with the endowment option for the normal bond period — 20 to 25 years — you could receive a large lump sum payment tax free as well.

Current legislation makes it necessary for the endowment policy to remain in force for a minimum period of 10 years for it to be tax-free.

Subject to medical proof of good health, cover for the bond will be included in the plan at no extra cost.

Ninety percent bonds of up to R150 000 are available to approved clients and instalments can be fixed for periods up to five years whereby a flexible repayment structure can be offered to help approved borrowers to temporarily cushion the impact of high interest rates.

Above all, Mr Reekie emphasises individual relationship banking, along with Standard's advanced electronic network, as the reasons for Standard's increasing share of the home loan market.



A house with a view. For some this would be a the dream home

House prices keeping pace with inflation

SAR 12/2/92

123

The average price of a medium-sized house cost about R119 400 in 1991. This represents a 15 percent increase over figures for 1990, according to the Absa Quarterly Housing Review for the fourth quarter of 1991.

The review states that nominal mortgage repayments on a 20-year bond for 80 percent of the value of a medium-sized house (a bond of R100 300) amounted to R1 703 monthly by the end of last year — up 11,2 percent on the repayment on a comparable house bought a year earlier. However, the one percent rate cut, effective March 1, would lower bond repayment by about R16 for every R10 000 borrowed.

“Given the fact that house prices performed generally well in spite of the recession, the prospects for further strong increases during 1992 seem favourable. Real increases of about 2 percent are expected which should once again amount to about 15 percent in nominal terms.”

Last year ended with an increase of 16 percent year-on-year (y/y) in the fourth quarter. During the final quarter of 1991, small houses (80 sq m — 140 sq m) sold for R106 000 on average, medium-sized houses

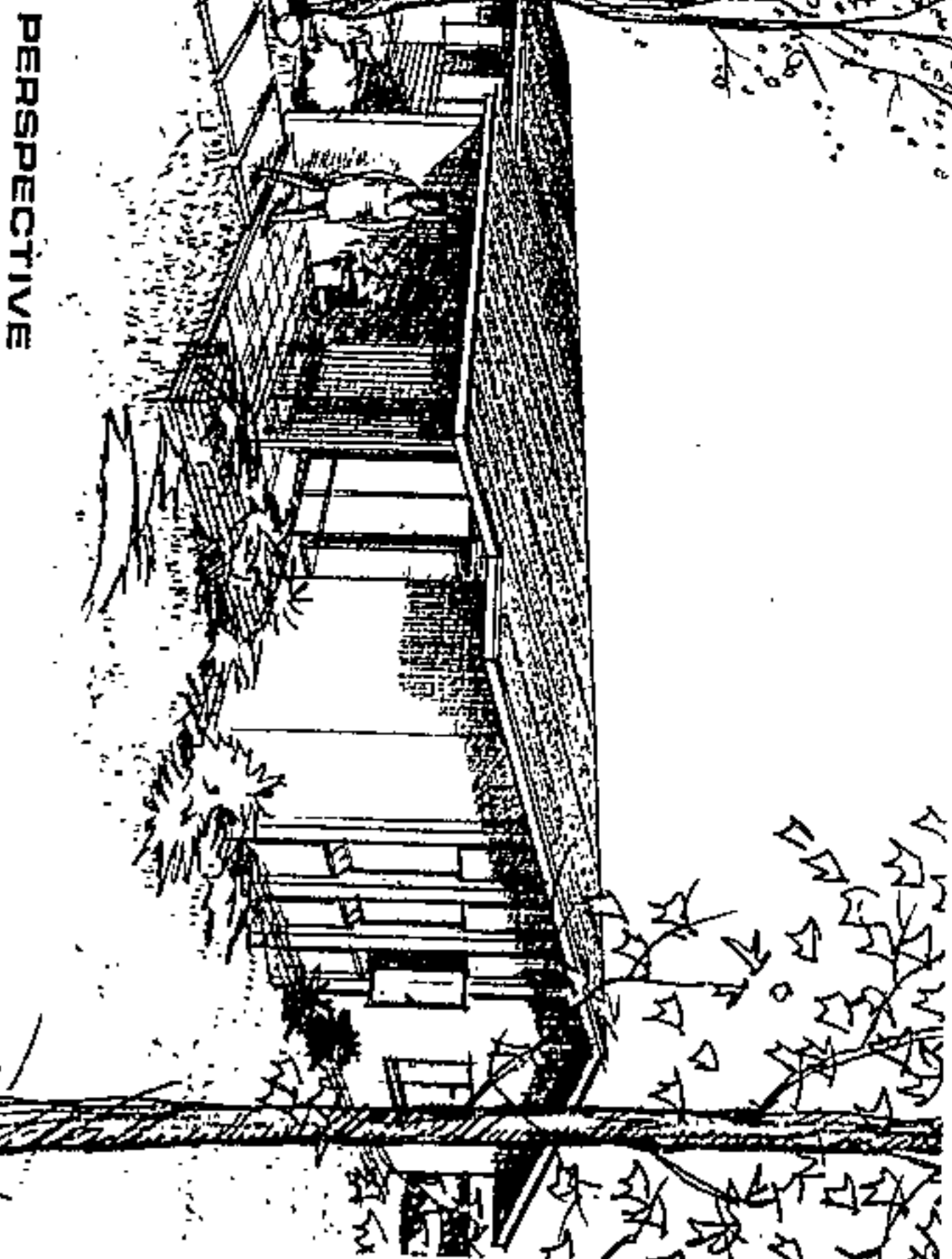
(141 sq m — 220 sq m) for more than R125 000 and larger houses (221 sq m — 350 sq m) for about R170 000.

“Consequently,” notes the review, “house prices kept good pace with inflation during the course of last year.”

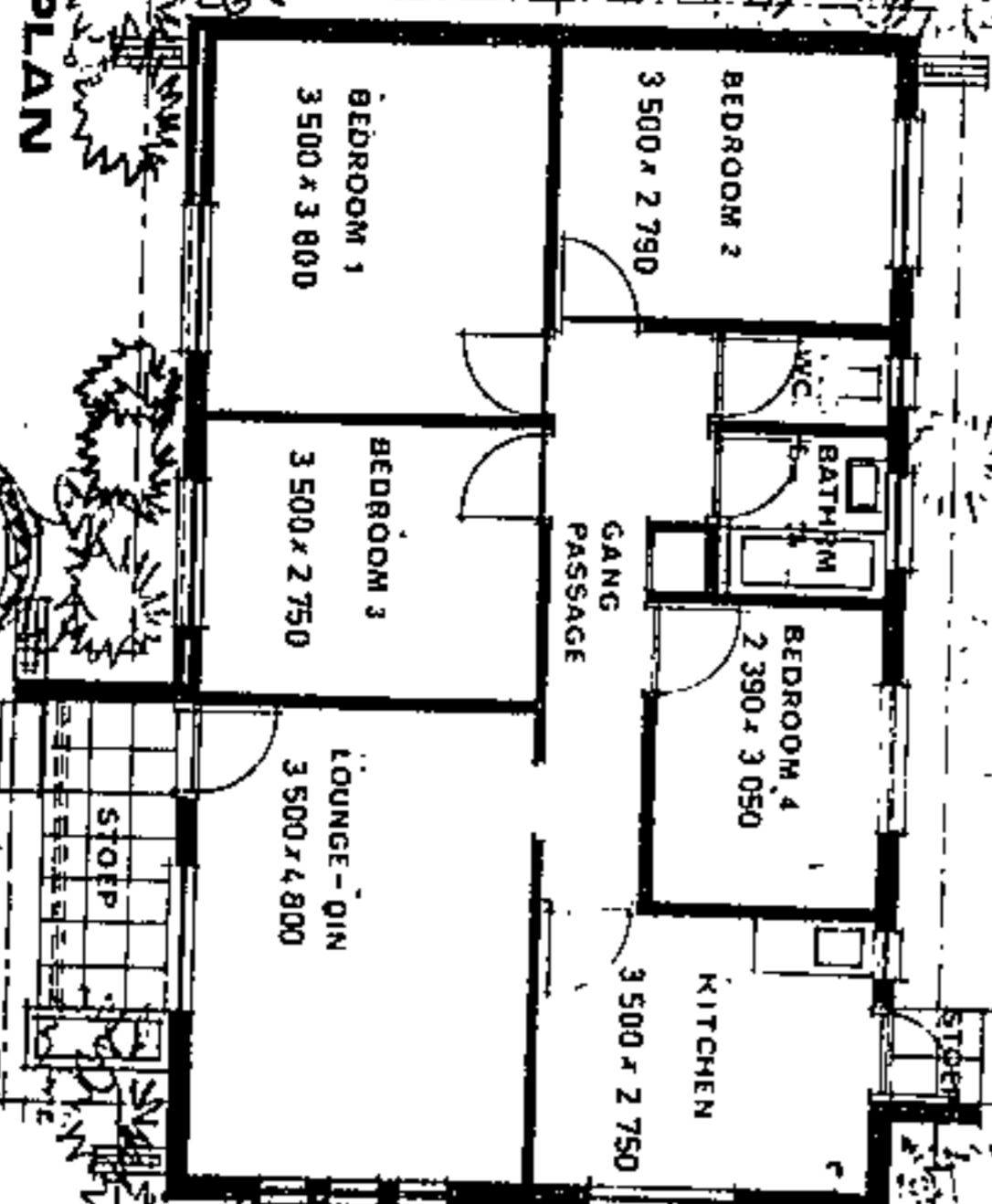
Building costs increased by only 11 percent (y/y) in the fourth quarter, which brought the total increase for 1991 to 14,7 percent — just below the CPI inflation rate of about 15,2 percent. The resulting rise in building costs to an average of R790 a sq m in the fourth quarter meant that a newly built home was still 22 percent more expensive than an existing house of comparable size.

On mortgage rates the review says that generally deposit-taking institutions increased their lending rates by 0,25 percent during the previous quarter owing to tax levied on interest rates.

Partly due to the effects of VAT, inflation remained high (around 16 percent). As inflation is expected to decline only gradually in the months to come, sharp decreases in interest rates are not envisaged. Mortgage rates should nevertheless fall by about two percentage points during 1992.



PERSPECTIVE

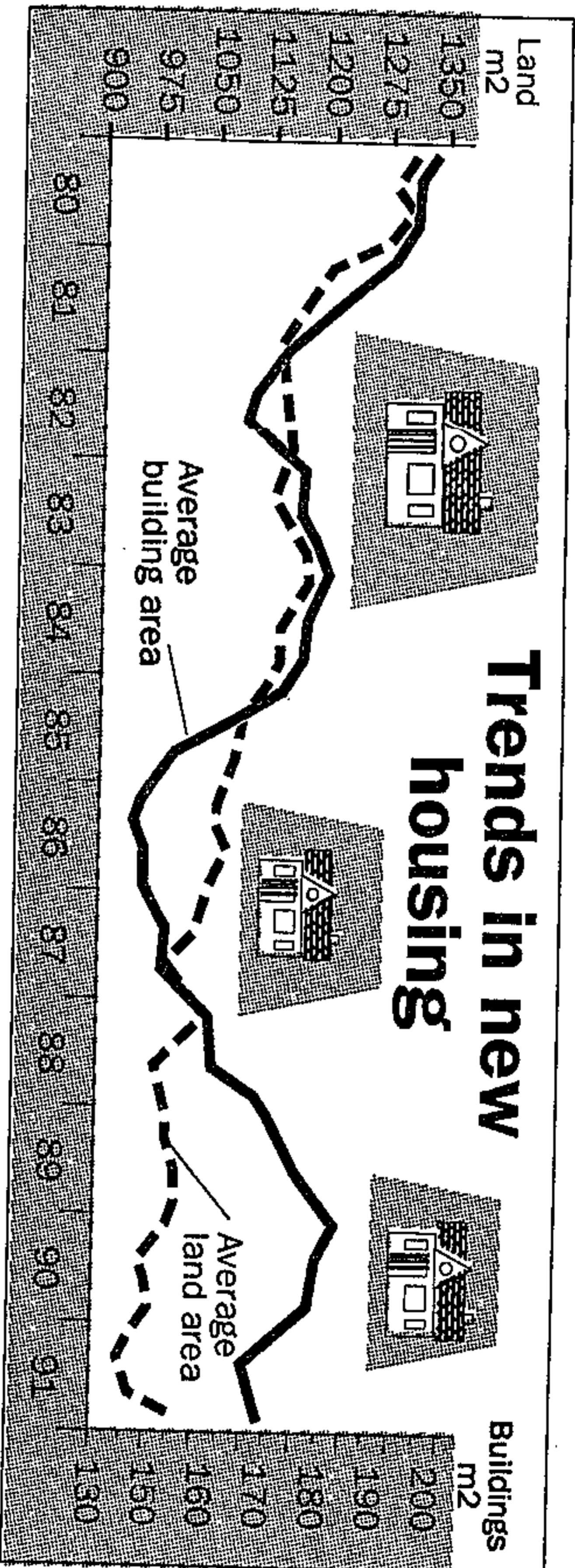


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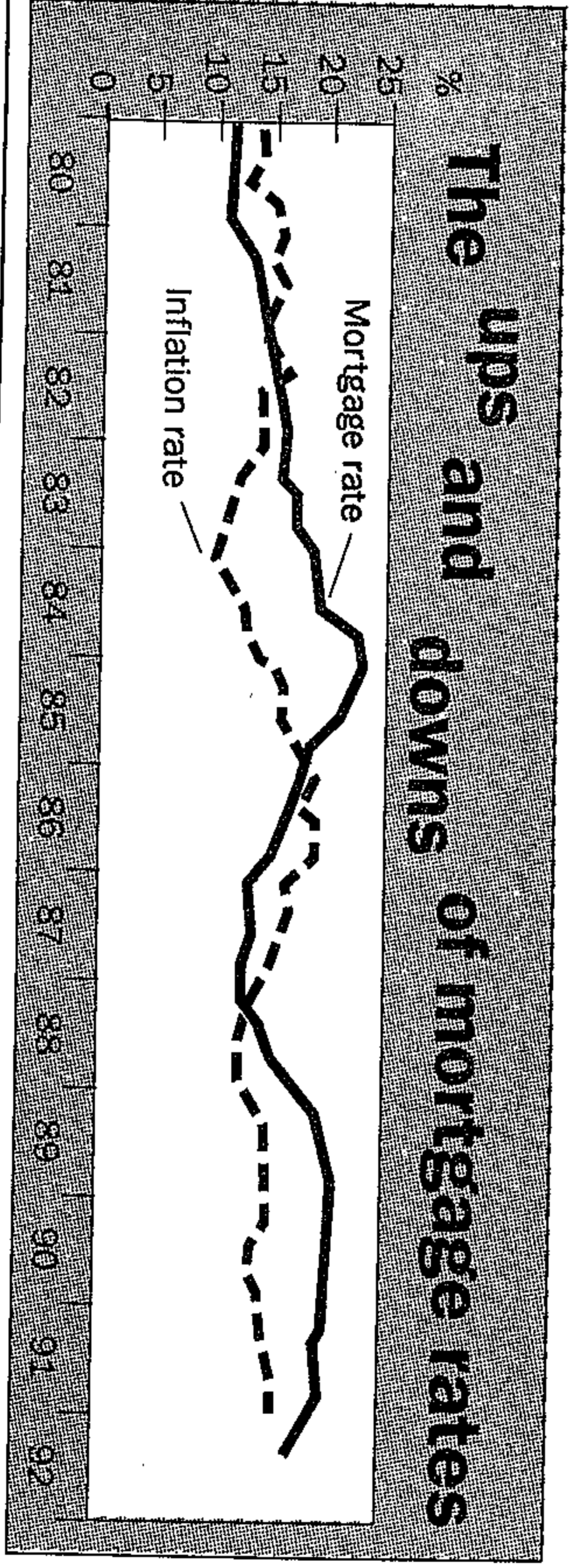
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Planning and building costs but be considered, when choosing whether to build a new house or buy an existing property.

Trends in new housing



The ups and downs of mortgage rates



Only residential market is 'healthy'

B1 Day 12/2/92 (123)
LINDA ENSOR

CAPE TOWN — The property market is in the doldrums, with only the residential sector showing signs of health, says the latest Rode's Report on the SA Property Market.

"Non-residential building contractors are in a state of panic as new contracts dwindle," editor Erwin Rode reports. He predicts a lean year for the sector, characterised as it is by overbuilding.

In contrast, there was strong demand for rented residential accommodation and strong house price growth in the lower priced

suburbs. Rode found that flat rental growth in most cities had outstripped the inflation rate by a wide margin.

The recession had started to bite the office market, which was experiencing a rise in vacancies and a fall in rentals.

On the industrial front, Rode found that rentals were also dropping, though there had not been a significant increase in industrial vacancies, except in the Pretoria area.

"Current industrial rent-

als reflect the sluggish condition of the industrial sector. The average growth for industrial rentals is barely 3% for 1991. However, we expect a slightly better performance in 1992."

Rode forecasts an average 5% growth in industrial rentals this year based on 1 000m² units in the central Witwatersrand.

He notes that capitalisation rates had on average remained stationary during the last quarter, in most cities and across all property categories, with the exception of non-prime offices.

Crisis over houses alleged in platteland

Bl Day 13/2/92

123

22

EDWARD WEST

HOME building practically came to a halt in the platteland over the past year and a number of contractors were forced to close their doors, said outgoing Master Builders' Association Witwatersrand and South Transvaal president Adrian van den Berg at its general meeting yesterday.

The main reason for this decline in building activity was high interest rates which in turn led to high building costs, he said.

Equivalent housing, priced at between R150 000 and R250 000 in the PWV area, was being sold for between R80 000 and R100 000 in platteland areas like the Free State, eastern Cape and eastern and western Transvaal. New homes of comparable size could simply not be built at these low prices, he said.

"The ever increasing tax structure, high inflation and interest rates have caused people to become poorer. The reduction in bond rates of between 0,5% and 0,75% announced on 30 January 1992 is a drop in the ocean. The time is ripe for a further reduction in bond rates," he said.

Van den Berg said government should reduce interest rates and promote home ownership by way of tax concessions on the interest portion of bonds made to homeowners. "If these tax concessions are im-

plemented, home ownership and savings will be promoted," he said.

He said a large number of homes were repossessed by financial institutions last year. These were being sold far below market value, at prices that covered the outstanding bond. He said new home owners should buy such houses rather than have new homes built.

Political uncertainty, poor productivity and the continuing increase in the cost of building materials also contributed to poor levels of business activity in the building industry, he said.

Van den Berg also referred to an apparent dispute between his association and the Master Builders' Association of Natal.

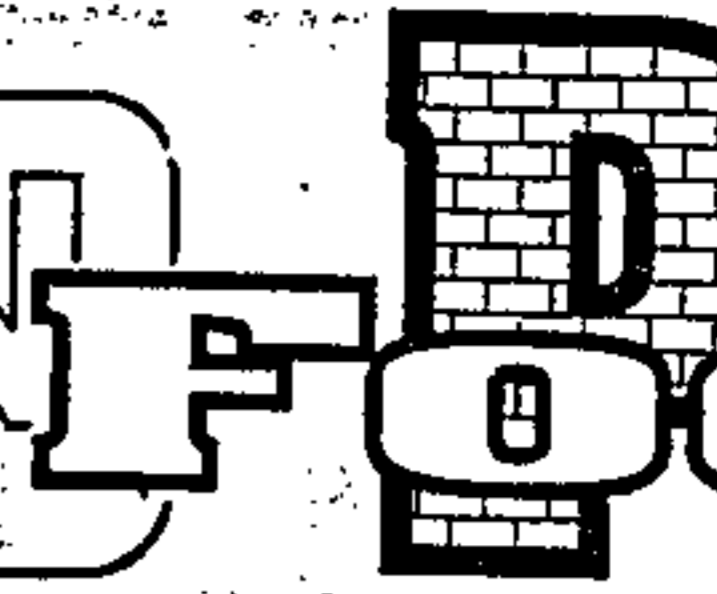
He said relations with the Natal body had been sour for the past few years and ended when his association requested an inquiry to determine whether Natal's conduct was in the interest of the Building Industry Federation of SA.

He said that if it was found the Natal association had not acted in the interests of the federation, its membership would be terminated. Spokesmen for the Natal association yesterday said they had no knowledge of what Van den Berg was referring to.

Train safety plan

SOWETAN

Building the Nation



Housing market will remain down

Sowetan 13/2/92

123

THE residential property market in South Africa will remain under pressure this year and is not expected to "come to life" until the second half of 1993.

This is the opinion expressed by Boland Bank's Group economist Mr Louis Fourie in the bank's latest Economic Review.

Trend

"The building industry is nevertheless showing considerably more resistance to the downward trend in the economy than during

the previous slump," Fourie said.

It was clear the property market was awaiting an increase in the general activity level of the SA economy.

Upswing

"Traditionally the property market takes between 12 to 18 months to respond to an upswing, which means that the market will only begin to 'come to life' by mid-1993."

He said house prices had for the eighth consecutive year failed to keep pace with the in-

flation rate.

A house sold for R70 000 in 1983 was currently selling for about R170 000. "Inflation-linked growth in house prices would have meant that the same house should have been selling for approximately R240 000."

Inflation

Fourie pointed out, however, that there are certain residential areas, for instance in the Western Cape and in Durban-Pinetown, where house prices have beaten the inflation rate. - Sapa.

PROPERTY

Area must enhance house value

By JOE MDHLELA

A GOOD investment means selecting an area that will allow the house to increase in value over a period of time, Perm marketing manager Mr Richard Ford says.

He said prospective home owners should consider purchasing their house in an area where it would sell easily should the owner wish to move.

“Before you go out and look at houses, you should set yourself a price limit. Do not even look at anything that goes over that limit,” Ford said.

He said it was important to find a house that was right and that would in the end make a good investment.

“Decide whether transport from home to work is convenient and not too expensive,” Ford said.

He said another important aspect to consider when deciding to buy a house was to decide on the area where you would like to live.

“Think about living where your friends and family are - if that is important to you - whether there are schools and convenient shopping

The best way of buying a house was to visit reputable estate agents and make inquiries.

Widening access to electricity was the topic of a national meeting organised by the ANC in Cape Town last week. **SABATA** **NGCAI** reports:

ALMOST everyone with an interest in electrification met last week to talk about taking power to the townships.

Everyone except the government, that is.

Government officials — from the Department of Mineral and Energy Affairs, the Department of Finance and provincial authorities — refused an invitation to attend last week's "National Meeting on Electrification", held at the University of Cape Town.

The parties at the meeting proposed the formation of a National Electricity Forum (NEF) to fight for electrification of black townships.

The meeting was called by the ANC to discuss ways access to electricity in South African homes, currently around 30 percent, could be rapidly widened.

The meeting concluded: "Electricity is only provided to the homes of a minority of the population and to users in the developed sector of the economy."

"The majority of the population who live in unelectrified rural and urban areas are dependant on more expensive and less convenient energy sources, both for use in their homes and in small scale productive activities.

"Virtually all white South Africans, even those in remote rural areas, are served, while between 15 and 20 percent of black South Africans have access to electricity in their homes."

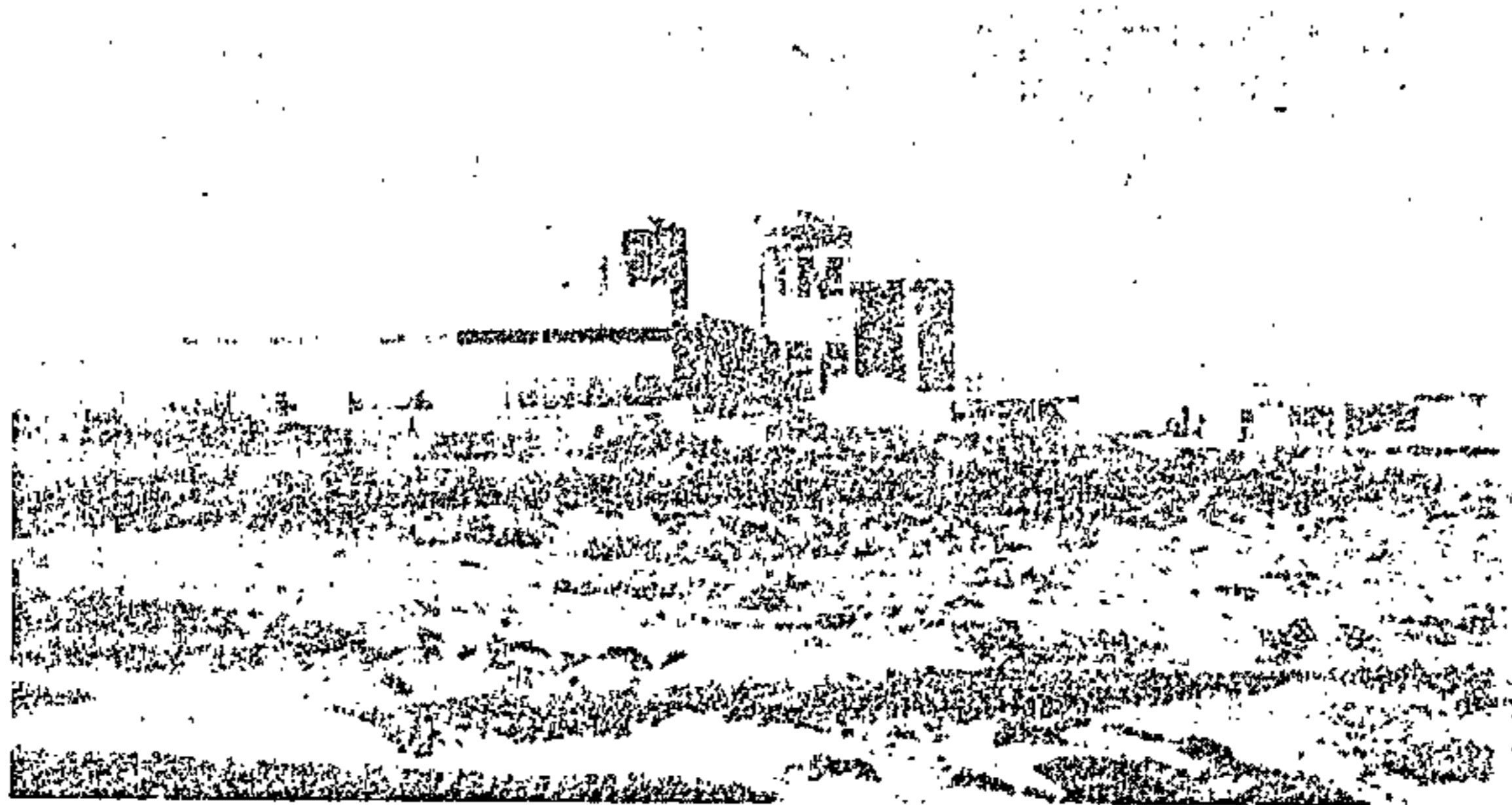
The NEF would include the ANC, civic associations, Eskom, local governments, trade unions and the Development Bank of Southern Africa (DBSA).

The meeting was also attended by academics, researchers, international guests, electrical equipment manufac-

ANC casts light on electrification in SA

South 13/2 - 19/2/92

123



POWER FOR THE PEOPLE? Although Koeberg has been in operation for years by millions of black South Africans still live in darkness

turers, Regional Development Forums, the South African Communist Party, service organisations from both rural and urban sectors, electrical engineering consultants, electrical contractors and representatives of organised business.

The keynote address, delivered by Mr Trevor Manuel of the ANC's department of economic policy, highlighted the contribution electrification could make to raising the standards of living of black South Africans and to stimulating economic growth.

The meeting focused on three key issues — proposals for the restructur-

ing of the distribution sector of the electricity supply industry, the capacity to plan and implement accelerated electrification initiatives and the financing of electrification.

Delegates agreed the current structure of the distribution sector, fragmented along racial lines by its link to the system of local government, would need to be rationalised in the future.

Electrification could only proceed when the skills and resources of white municipalities were applied to townships not served adequately by black local authorities, the meeting agreed.

Regional electricity distribution authorities were seen by many to be the solution, but several questions were asked about the financing of such authorities and their future relationship to a nonracial system of local government.

On the capacity to plan and implement initiatives, there was general consensus at the meeting that technical and human resources in municipal undertakings, Eskom, the private sector and in communities, would be sufficient to rapidly electrify communities.

The two labour federations, Cosatu

and Nactu, called for the intensification of training programmes, in conjunction with the Electrical Contractors Association.

On the question of financing, it was generally agreed electrification could be affordable for the national economy, provided the necessary political will exists to fund such programmes.

A combination of retained income in the electricity industry, public funds for capital development and private investment mobilised on capital markets would be sufficient to finance programmes.

Mr John Kruger of the DBSA offered his organisation's assistance in convening a working committee on electrification within three weeks.

The working committee, comprising representatives of the major parties at the ANC meeting — and hopefully of the Department of Mineral and Energy Affairs — would work to unify the efforts of government and the ANC in the area of electrification and convene another meeting of all parties by the end of March.

"Despite the government's refusal to participate, the ANC willing to persuade them to join the NEF as the forum would be unable to function effectively without them," Mr Paul Theron of the ANC's Science and Technology Group said.

He said the ANC would specifically persuade the department of Mineral and Energy Affairs, through Eskom and DBSA, to join the forum.

"The NEF should get the authority of the department as it has the ability to divert government funds," Theron added. "It may also be necessary for the ANC to consult with the Minister of Mineral and Energy Affairs as in the past."

The department's spokesperson, Mr Charles Edwards, confirmed the ANC had written a letter of invitation to attend the meeting, but that it had declined.

"The government found that it would not serve any purpose to attend the ANC meeting as the department has not yet finished its investigation on electrification," Edwards said.

"The department is busy investigating the restructuring of management and supply of electricity in South Africa."

Use higher bond rate to save yourself a fortune

(123) (20) Sowetan Reporter (28)

HOMEOWNERS can save themselves a fortune in the long run by continuing to pay the same (higher) instalments, rather than taking advantage of the lower repayments, according to Nedbank.

The bank points out that maintaining repayments at current levels is equivalent to a tax-free investment of 19 percent. A significant saving, indeed, for those who are constantly battling the tax man.

The bank points out that with most mortgage rates down by one percent point to 19 percent, many homeowners must have worked out what the reduction in the bond rate would save them a month.

To many people the reduced monthly repayments might seem insignificant, but by maintaining payments at the old level, the bondholder can actually save several hundred thousands of rands, the bank advises.

Take, for example, a home-owner with a bond of R100 000 repayable over 25 years.

At an interest rate of 20 percent the monthly repayments are R1 679. At the new rate the repayments drops to R1 598 a month, a saving of R81 a month.

Conventional home loans are structured so that the borrower repays mostly interest with only tiny portion of the amount being applied to the reduction of the capital over the early years.

On a R100 000 loan, for example, after 15 years only R5 000 will have been paid off the capital. After 20 years the outstanding capital amount will be down by about 50 percent.

It is only during the last five years that the capital amount is swiftly reduced. This is why it is so important to maintain the bond repayments at the same level as they were before the rates were cut.

However, there is another choice. Nedbank has come up with another innovative idea, suggesting that the saving generated by a reduction in bond rates should be invested in unit trust on a monthly basis.

Assuming unit trusts perform roughly in line with historical figures, this would result in a capital nest-egg of about R22 000 after nine years.

Using the bond of R100 000 at an interest rate of 19 percent, the figures will look as follows;

Conventional bond - monthly repayments; R1 593.
Unit trust link bond; interest R1 593;
Unit trust contribution; R75 and;
Capital reduction: Nil.

Foreign loans could help poor this year

Sowetan 13/2/92. (123)

By JOSHUA RABOROKO

THE Industrial Development Trust is to acquire financial loans from foreign sources as well as the World Bank and from the private sector to "aggressively invest" in providing homes for the poor this year.

It will consult with political organisations, the Government and a wide range of actors and interested parties, according to IDT's communications director, Mr Jolyon Nuttal, in Cape Town this week.

IDT chairman Mr Jan Steyn met a group of the World Bank representatives who visited South Africa on a fact-finding mission last week.

Nuttal said: "We will pay a lot of attention on providing funds not only for homes, but instead of a roof over people's heads, the trust has gone for ground under their feet."

More than a third - R750 million - of IDT funds has been allocated to a capital subsidy scheme under which 100 000 serviced sites would be given to the very poor.

About 700 000 people - an average of seven families - will benefit from the security that land title brought.

Dwellings

"We believe that the people who receive the sites will build dwellings on them, he said. "Some may start with shacks which they will gradually improve. Using the land as surety, others will borrow money to build more substantial homes."

"Yet we know that 100 000 sites are only a beginning, we have in fact

received applications to subsidise 640 000. More money must be found," he added.

Referring to education, Nuttal said a model of how community control, and therefore community protection, could be obtained in school management has been developed through a national school building initiative that will see 50 000 additional classrooms constructed in the next three to four years.

"The challenge is to establish community learning centres which could function up to 14 hours a day, seven days a week.

Facilities

"Given proper administrative facilities and inexpensive community halls, the centres would in terms of the model provide primary school

facilities until early afternoon, and cultural activities and adult education thereafter.

In rural areas, it could be used for primary health care as well, he added.



IDT chairman Mr JAN STEYN

Provident, pension funds key to crisis

Sowetan 13/2/92.

(123)

A SOLUTION to South Africa's massive housing problem is to unlock money tied up in pension and provident funds and to make it available to members in the low-income levels.

The initiative has been undertaken by Old Mutual and the Urban Foundation after consultation with many parties, including Government officials, employers and labour rep-

By **JOSHUA RABOROKO**

representatives.

Major insurance companies Sanlam and Metropolitan Liberty Life have indicated they will study the implications of the scheme.

In a booklet, the Old Mutual and UF say the interest shown in these initiatives is largely related to the positive benefits that their success will have on the future of

South Africa.

"While the act of building houses creates jobs, housing is seen to be a key ingredient to long-term social stability," the parties say.

Initiative

The initiative has been designed for people who:

- Are in active employment and members of a pension fund or provident Fund;

- Do not own any other properties; and

- Have accumulated suitable reserve in either the pension or provident funds.

It allows them to buy a home costing R45 000 or less (including the land) which will be registered in the member's name.

Finance for the home is obtained through normal bond financing institutions (deposit-taking institutions and mutual building societies); the

State's first-time buyer's subsidy and other subsidies and loans against money accumulated in the member's pension or provident fund.

The feasibility of the initiative has been secured by bond repayments and loans are at acceptable levels; money borrowed from the fund is repaid by retirement; interest on money borrowed from the fund is at market rates and there is no risk to the fund in the case of default.

Rent boycott: Five evictions

Staff Reporter (13)

WOLSELEY Municipality yesterday moved to break a rent boycott in force in the area since November 1990 when it evicted five families from their homes in Montana township.

Wolseley town clerk Mr C J. Burmeister said the move was aimed at showing other rent boycotters that the municipality could no longer condone the ongoing action which had so far cost the town R279 000.

The boycott was instigated by the Wolseley Civic Movement.

Police confirmed that rubber bullets, birdshot and teargas were fired at residents who stoned municipal workers.

A policeman was injured when hit by a rock.

ET 11/18/92

FOUR decades of forced segregation are at the root of the problems recently experienced by the homeless community at Zevenfontein and their angry neighbours at Bloubostrand.

But the outcry in Midrand is symptomatic of a problem that the entire country must be made to face up to, and in which businesses of all sizes have a crucial role to play.

Suffering from the residual effects of grand apartheid, and following the timeless flow of the unemployed from rural to urban areas, the homeless will seek out and possess land if it is not made available to them.

Often the space they find will be adjacent to communities who will resent the invasion and its impact on their security and house values. The new settlers will become the centre of yet another storm of protest.

While this is one of the more distressing manifestations of apartheid, the perpetrators of that social distortion cannot be blamed forever, neither can it be an excuse for inactivity.

The solution is a national housing policy, such as the proposal made by the Urban Foundation's urban debate series of publications.

In 1990 foundation researchers estimated the housing backlog was 1.2-million units and that 174 000 houses would be needed each year to address the backlog and cope with natural growth. It is doubtful that more than 15% of this figure is being delivered and the needs of the homeless are growing.

Site and service development is being energetically pursued by FHA Homes in the Transvaal and others around the country. This is a focus, as well, of the Independent Development Trust (IDT), which last year allocated R750m for this purpose.

Site and service is the identification of land for low cost housing and the installation of basic services such as roads, water and sewerage. Plots are either sold or allocated to low income families who may erect any form of shelter they choose. As their incomes improve they are encouraged to upgrade their shelters to formal structures.

*This may sound fanciful, but the people in these informal settlements are frequently employed, own cars and send their children to school. They simply have no houses.

Managers are often surprised to find that the well-dressed and

Business must act to ease the growing squatter crisis

BID 011712/92

JOHN WEAVER

(123)

reasonably paid employee who arrives punctually at work and talks of family, children and schools, lives in a shack.

By building a shack on vacant land, close to where they work and where their children are at school, in the company of others similarly placed, these people are not fighting society but trying to join it.

Since the early '70s, about 150 000 site and service stands have been settled, but these inevitably were located in terms of the Group Areas Act.

The IDT scheme will see another 100 000 sites settled. The IDT allocates R7 500 to approved developers for each completed site registered in the name of a qualifying recipient. Qualifications include a maximum salary of R1 000 a month and dependants living with the recipient.

The IDT stipulates the developer must initiate a process of consolidation. Residents of these settlements would remain shack dwellers if no improvements were made. Evidence indicates improvement usually does occur. Frequently the community creates structures which encourage, facilitate and implement the transformation of an informal settlement to something akin to a neighbourhood with formal housing. Shacks are converted into permanent houses; roads are improved; creches, schools and churches introduced, and eventually shops and businesses emerge.

The desirability of such consolidation is obvious. When people feel threatened and unsure of their future, they are likely to turn against

society. Consolidation implies stability and an improvement in community values.

The IDT requires developers to involve the community in planning, administration of the township and site allocation, and later to form a community development trust or similar body to co-ordinate the continuing consolidation of the area. It is envisaged that the trusts will eventually employ full-time managers.

What can business do? Since there is no possibility of this or any new government successfully housing the entire population, alternatives must be sought. It is estimated that as much as 60% of future housing will have to be informal. Even if the money could be found

to buy the land and build the houses for formal townships, unemployment and low wages are so prevalent that the vast majority of people just cannot afford the most basic house.

"Site and service" has the virtue of being quick and inexpensive. Those taking title to their piece of land still have no house, but they own a site with basic services. The initial shelter will comprise second-hand material, but as consolidation takes place, new items will be introduced. Businesses could help employees by supplying building materials and components.

The establishment of community trusts implies meetings, sub-committees, reporting procedures, controls and systems that business

people take for granted. As residents of the typical site and service scheme lack many conventional skills they need help in setting up and running a trust and its spin-off committees. Businesses could assist in providing managers to train the community in these skills.

International experience is that once consolidation begins, members of the community will establish businesses. This may be facilitated by the Small Business Development Corporation, but might need approval by health regulatory bodies or municipal authorities. Businesses can help by negotiating with authorities on behalf of the would-be entrepreneur.

As the fabric of the community develops, needs will emerge for a range of utilities such as public toilets, libraries, creches, recreation facilities and civic buildings. Businesses could provide, contribute to or facilitate the design and construction of these, and other items so commonplace in established neighbourhoods.

The task ahead is to house more than 6-million people. Left alone, many will invade vacant land, build shelters and then suffer the ire of the existing community which resents and fears their presence and proximity. This is not the route to peace and security.

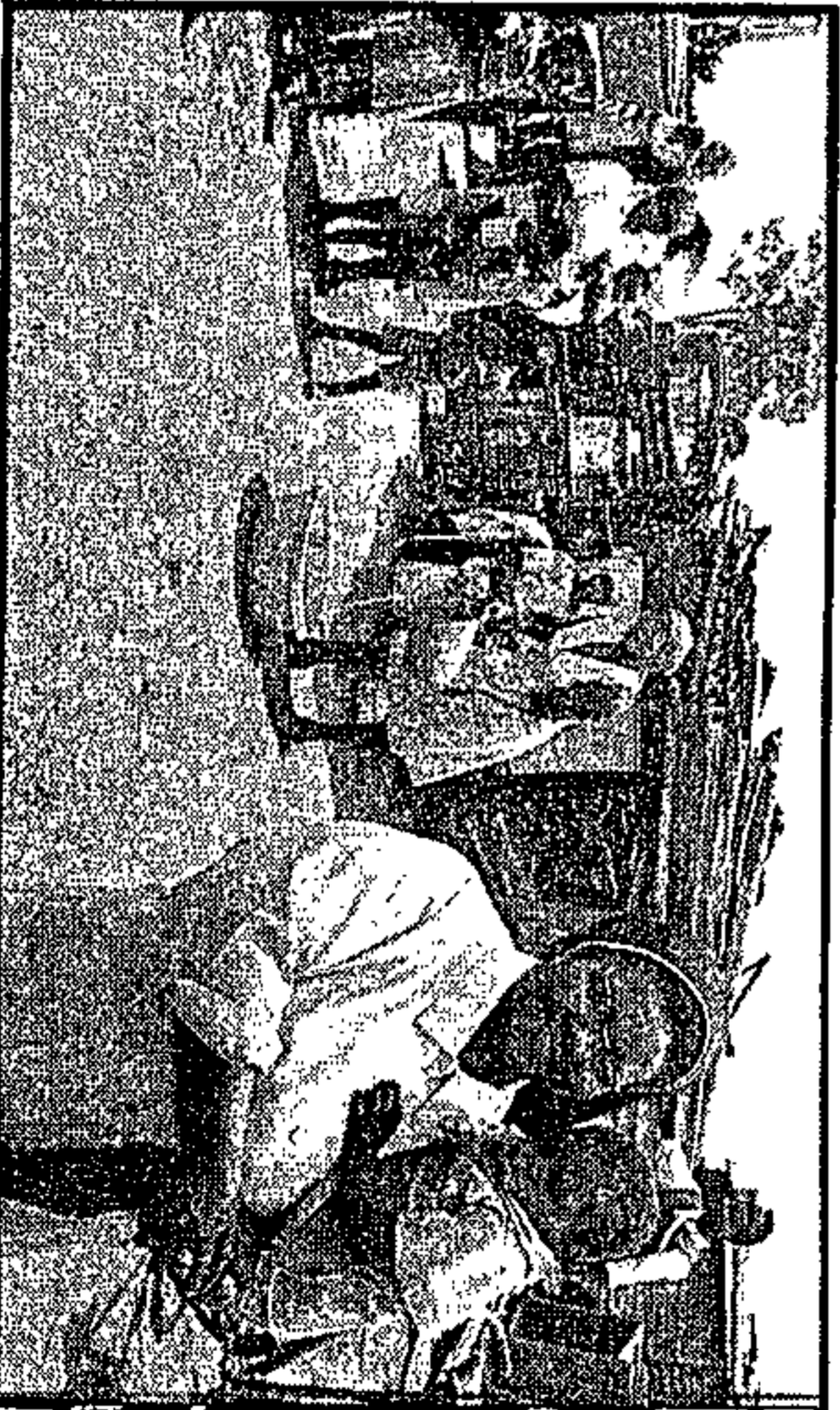
Site and service provides a viable approach to the early provision of land to the poor. But even at this basic level, money is needed for deposits and improvement.

Business could play its most vital role by making this money available directly to individuals or through the variety of collateral schemes available at the financial institutions.

While the need to house the poor is urgent and demands financial assistance, understanding and securing its contribution need not be entirely or necessarily altruistic. There are many ways of benefiting commercially from new business ventures, construction projects, maintenance and improvements.

What is vital is that business must become involved. It must contribute to solving one of the country's most sensitive problems. And above all it must care.

Weaver is CE of FHA Homes, a company originally established by the Urban Foundation and which provides low-cost housing in the PWV area.



Shack dwellers in squatter communities are not fighting society, they are merely trying to join it.

Rabie benefits from quitting black housing

By Day 17/2/92

123

LINDA ENSOR

CAPE TOWN — Withdrawal from the risky black housing market has benefited Rabie Investment Holdings, which made a strong return to profitability in the six months to end-December.

Earnings a share of 1,4c (loss of 3c) were notched on a pre-tax, pre-interest operating income of R1,6m (loss of R49 000). A bottom-line profit of R266 000 was generated compared with the previous loss of R5,5m, most of which arose from a R5m write-off in the previous year of land owned in Natal and of the closure of the Natal operations. Group policy is to declare only an annual dividend.

The results were achieved despite the recession and despite an onerous interest bill of R1,1m, which was the legacy of the write-off.

"The redirection of the business into traditional markets, namely exclusive and unique projects in prime areas, allied to the curtailment of exposure in the black market, has been successful," chairman John Rabie said, adding that the group had redirected itself quickly and efficiently.

Rabie said the group's developments in the Western Cape had traded better than expected and this boded well for year-end results. Exclusive projects included Dol-

phin Beach. Two others were developed in Hout Bay, and one in Constantia.

The only remaining exposure in the black market is through Rabie's 40%-held associate company, Kwikspace Holdings, which is involved in the manufacture of pre-built accommodation units. Kwikspace made a satisfactory contribution to net income.

An export drive of Zozo units into sub-Saharan Africa was under way, Rabie said, and exports now represented about 10% to 15% of Kwikspace's turnover.

Kwikspace could be expected to make a meaningful contribution to the year-end result, Rabie said.

He was optimistic that results would improve during the second half as overheads were lean, the group's development skills were in demand and it was poised to enter the sectional title apartment market. Negotiations were also under way to extend its involvement in retail developments.

Rabie said the group planned to reduce gearing over the next two years. There was a need to conserve cash for this purpose so he could not say whether the payment of a dividend would be resumed at year-end.

PROPERTY

Building data show trend towards smaller houses

Business Day Reporter

THE average size of new houses for whites has been dropping since a peak in 1990, and the average new house size for blacks has been decreasing steadily over the past six years.

Johan Snyman, director of Medium-Term Forecasting Associates (MFA), the Stellenbosch building economists, says there are several reasons for this.

"Average house size has fallen because the recession has been accompanied by high mortgage rates and high building costs.

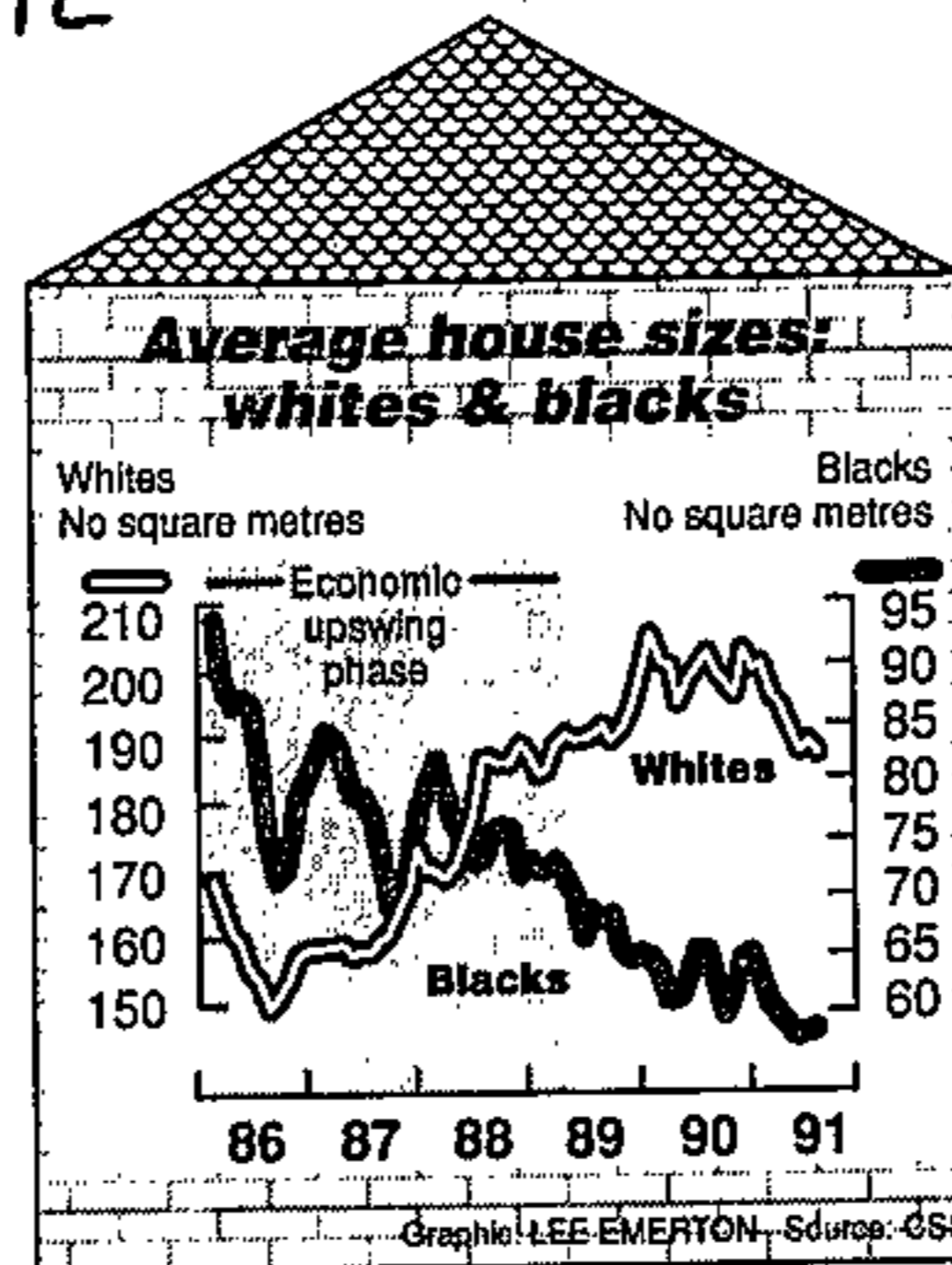
"We can expect the trend towards smaller house sizes for whites to continue in the coming years, but the average house size for blacks has probably stabilised."

MFA reached these conclusions by analysing basic data on house plans passed and houses completed according to population group, published by the Central Statistical Service since 1986.

The graph depicts these averages for new houses for the white and black population grew between 1986 to 1991.

MFA has found a number of interesting features in this comparison.

The average size of new houses for whites rose from roughly 160m² in 1986 to more than 200m² in 1990. However, since early 1991 there has been a marked drop in the average size of new dwellings built for whites.



The latest data reflect a figure of roughly 185m². This is still higher than the 160m² recorded in 1986. Yet this recent reduction is a clear indication that the recession has forced whites to scale down living space.

Average size of new dwellings for blacks has dropped sharply from roughly 90m² in 1986 to about 60m² to 65m² in 1991. This has occurred in a fiercely competitive building environment in which contractors have struggled to stay within the affordability limits of various housing subsidy schemes.

The main thrust of housing developers has been to try to supply affordable houses to the masses.

Snyman says these attempts have

frequently been thwarted by local governments' insistence on unrealistically high standards of services, as well as what both developers and buyers see as unrealistically high interest rates.

Analysis shows the average new houses dwelling of whites is still three times as large as the average new home of blacks, reflecting income disparities.

Will the trend to smaller homes continue?

In the case of whites this seems inevitable, given high mortgage rates, high tax rates and fully taxable housing fringe benefits, which all exert a depressing effect on housing affordability, says Snyman.

"In the case of blacks it appears that the average size of dwelling has stabilised at about 60m² to 65m²," says Snyman.

"Housing authorities, private developers and home builders certainly realise that little can be gained by reducing average housing size any further from current levels. This is because the cost of building does not decrease in proportion to a decrease in house size."

"For instance, the height of the walls, the number and price of doors, windows, kitchen and bathroom fittings remain more or less constant when the floor area of a house is reduced.

"Furthermore, any further reduction in the average house size of blacks would not be acceptable."

1992
January 58 9
February 21 7
(b) 10 February 1992

Note:
The 1991 figures for KwaZulu are only for persons killed in areas controlled by the South African Police.

Persons killed/injured in violence
73. Mr P J GROENEWALD asked the Minister of Law and Order:†
How many persons were (a) killed and (b) injured in violence in 1985, 1986, 1989, 1990 and 1991, respectively?
B173E

The MINISTER OF LAW AND ORDER:
1985 823 2 626
1986 973 2 548
1989 659 1 425
1990 2 674 4 328
1991 2 239 3 185

Suspected right-wing terrorism: incidents
71. Mr P H P GASTROW asked the Minister of Law and Order:
(1) (a) How many incidents of suspected right-wing terrorism were investigated by the South African Police in 1991 and 1992, respectively, and (b) how many of these cases had been solved as at the latest specified date for which information is available;
(2) whether any persons have been arrested in connection with these incidents; if so, (a) (i) how many and (ii) in connection with how many such incidents in each case and (b) in respect of what date is this information furnished?
B161E

The MINISTER OF LAW AND ORDER:
(1) (a) 1991 — 12
1992 — 6
(b) 9
14 February 1992.

84. Mr D J DALLING asked the Minister of Law and Order:
How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) robbery, (g) theft of vehicles and cycles, (h) damage to property, (i) housebreaking with intent to steal and theft and (j) possession of drugs were reported at the (i) Sandton, (ii) Bramley, (iii) Wynberg/Alexandra and (iv) Lombardy East police stations in 1991?
B229E

The MINISTER OF LAW AND ORDER:
(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)
(i) 15 38 85 270 37 272 944 74 433 2 346 28
(ii) 52 37 115 203 26 916 622 17 532 1 223 13
(iii) 364 29 731 523 207 552 229 — 399 366 137
(iv) 10 10 27 81 9 198 179 19 134 687 14
Note:
(g) (i) vehicles
(iii) cycles

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.
For oral reply:
General Affairs:

State-funded housing complexes:
all race groups

* 1. Mr M A HENDRICKSE asked the Minister of Local Government and National Housing:

- (1) Whether members of all race groups are allowed to rent and/or purchase, or place their names on waiting lists for, housing units in low-income State-funded housing complexes; if not, why not; if so,
- (2) whether, in view of the repeal of the Group Areas Act, it is the policy of the Government to allow local authorities to apply racial integration in respect of such housing complexes; if not, (a) why not and (b) when will local authorities be allowed to do so; if so,
- (3) The housing complexes in Algoa Park and Sidwell in the Port Elizabeth area fall under the purview of the responsibilities of the Minister of Correctional Services and of Housing and Works in the Ministers' Council of the House of Assembly.
- (4) No.

(3) whether any such housing complexes in Algoa Park and Sidwell in the Port Elizabeth area have been opened to members of all race groups; if not, why not; if so, what are the relevant details;
(4) whether he will make a statement on the matter?
C1E
†The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) Yes.
(2) Yes. If local authorities have surplus housing units at their disposal after the needs of the population groups for which it was originally planned, have been satisfied, the housing boards of the various own affairs administrations may grant approval that it may be placed at the disposal of other population groups, where such a need exists. (a) and (b) fall away.

Foreigners 'mustn't own land'

By IKE MOTSAPI

FOREIGNERS should not be allowed to buy land and property in South Africa and those in possession should be compensated.

This was said yesterday by callers to the Sowetan Radio Metro Talkback Show when voicing their concern and displeasure at foreigners who own, among other things, properties when the question of land distribution had not settled.

Most callers felt that South African citizens should be the only people allowed to buy land, especially when a section of them were denied this in the past.

The ANC 's expert on



the land issue, Ms Bongiwe Njobe, told listeners that some foreigners acquired land unfairly in the past.

She said blacks were denied the right to buy property and land in the past but that this had changed.

Njobe however warned against foreigners buying land and property in South Africa because they "will be contributing towards investment in the country."

She said the ANC was

busy discussing the issue.

Joe Mthimkulu from Sebokeng said land should not be sold to foreigners because "it could be used to meet the increasing challenges of providing houses to the needy".

He said: "Population explosion demands that certain steps have to be taken to house the millions and millions of people needing accommodation".

Fatima from Cape Town said foreigners who owned property and land in the country should be refunded the money they spent for their purchases.

She added: "Consideration should be given first to people who seriously needed houses".

Jimmy Petersen from Eldorado Park said: "The issue is very complex in that the land rightfully belong to blacks.

"Blacks in South Africa suffer because they had been prevented to buy or acquire what is rightfully theirs."

Joe Pearce said he was against land and property being sold to foreigners.

He said: "There should be a moratorium on the land owned by foreigners. "The land has to be bought back from them and placed in a trust. "Once this has been done local people can team up and buy it."

He said foreigners bought land for cheap and sold it for huge profits.

FOOTSTEPS TO FORTUNE

RICHARD
Cluver



Property has not lost its gilt edge



STARTING today in Your Money is the column of yet another top financial writer, **RICHARD CLUVER**. He is the author of several best-selling books on investments, including "Making Money with the Mutuals", "Investments Without Tears" and his latest, "How to Make a Million". *STAR 22/292*

PROPERTY has traditionally been the solid sheet anchor of all sound investment portfolios. Sadly and, in my opinion, quite unjustly, its credentials have been allowed to become a little tarnished because the average investor seems to have lost perspective.

The dramatic capital gains that are possible in the share market have understandably eclipsed the steadier returns that the property market as a whole provides. But to focus on just this comparison is to effectively ignore how profitable property can be, particularly in some specialised and tailor-made situations.

Probably the most profitable situation that the small investor will ever encounter is the opportunity that property offers him to leverage his investment; to make a relatively small sum of money do the work of a large sum and to reap the proportionally increased benefits.

Let us take the simplest possible example of the would-be buyer of a plot of residential land who, lacking the necessary capital to either buy the land or even put down a deposit, persuades the owner to enter into a "suspensive agreement" with him.

The usual form of such agreements is that a contract is drawn up in terms of which the buyer undertakes to come up with the full capital amount within a stipulated period, usually about three years, and in the interim undertakes to pay interest at a building society mortgage-related rate and to meet any other costs that might arise, such as municipal rates and weed-clearing.

If the buyer is fortunate, the seller might accept no deposit at all or perhaps just enough to meet the selling agent's commission. If he is doubly-fortunate, or astute enough to have picked the right plot in the right area at the right time — if, in other words, he has been able to anticipate a rapid rise in property prices over 12 months or so — he is in a position to make a major financial killing.

To understand why requires that one first understand a little about the market forces that drive property.

Increasingly anxious

Prices can remain absolutely static for months and sometimes even for years on end and indeed even fall as some owners become desperate to get their money out. In real terms of course, in an era of high inflation, prices that remain static are actually falling all the time.

Which is another reason why many owners can be persuaded to effectively finance you, the would-be buyer. If, in other words, they want to sell, they will become increasingly anxious as time goes on as they realise what inflation is doing to market prices.

Locking themselves in for a further period of inflationary erosion might appear foolish, but it will often appear the lesser evil if it will tip the balance and result in a sale for a property owner who has been sitting and for a buyer for years.

Property market doldrums do not, however, last forever, and can double or even treble seemingly overnight.

Over time, of course, an average line drawn through such a graph of property prices should at least equal the inflation rate and, provided the land is well sited, should actually exceed it.

So, if you have time on your side, you can be fairly certain of winning with most property investments. Indeed, one of the centuries-old millionaire maxims is that you should buy on the outskirts of the city and wait for the city to expand out to you. To which I would add the rider that you should be prepared to buy the best when you opt for the outskirts of the city, for it will appreciate the most when neighbourhood prices begin to soar.

Back now to our suspensive buyer. Let us assume that against an asking price of R50 000, he is able to persuade the seller to take a deposit of R2 000, that he agrees to pay interest at 20 percent a year and rates of R500.

Add those up and you will find that his outlay in the first year is R12 100. Now assume that at exactly the 12-month point he is approached by a cash buyer who offers him twice the original asking price. He agrees and receives R100 000 out of which he pays off the R48 000 outstanding on his original suspensive purchase of a year previously and pockets R52 000. His gain, after subtracting his total outlay of R12 100 is thus R39 900, which represents a capital gain of 329,75 percent in one year.

Conventional deal

Assuming that his official intention when he made the purchase was to acquire a site for a future home for himself and that, officially at least, his was not a speculative intention, he will not be taxed on the transaction.

Readers should thus recognise a nearly unbeatable capital growth rate has been achieved.

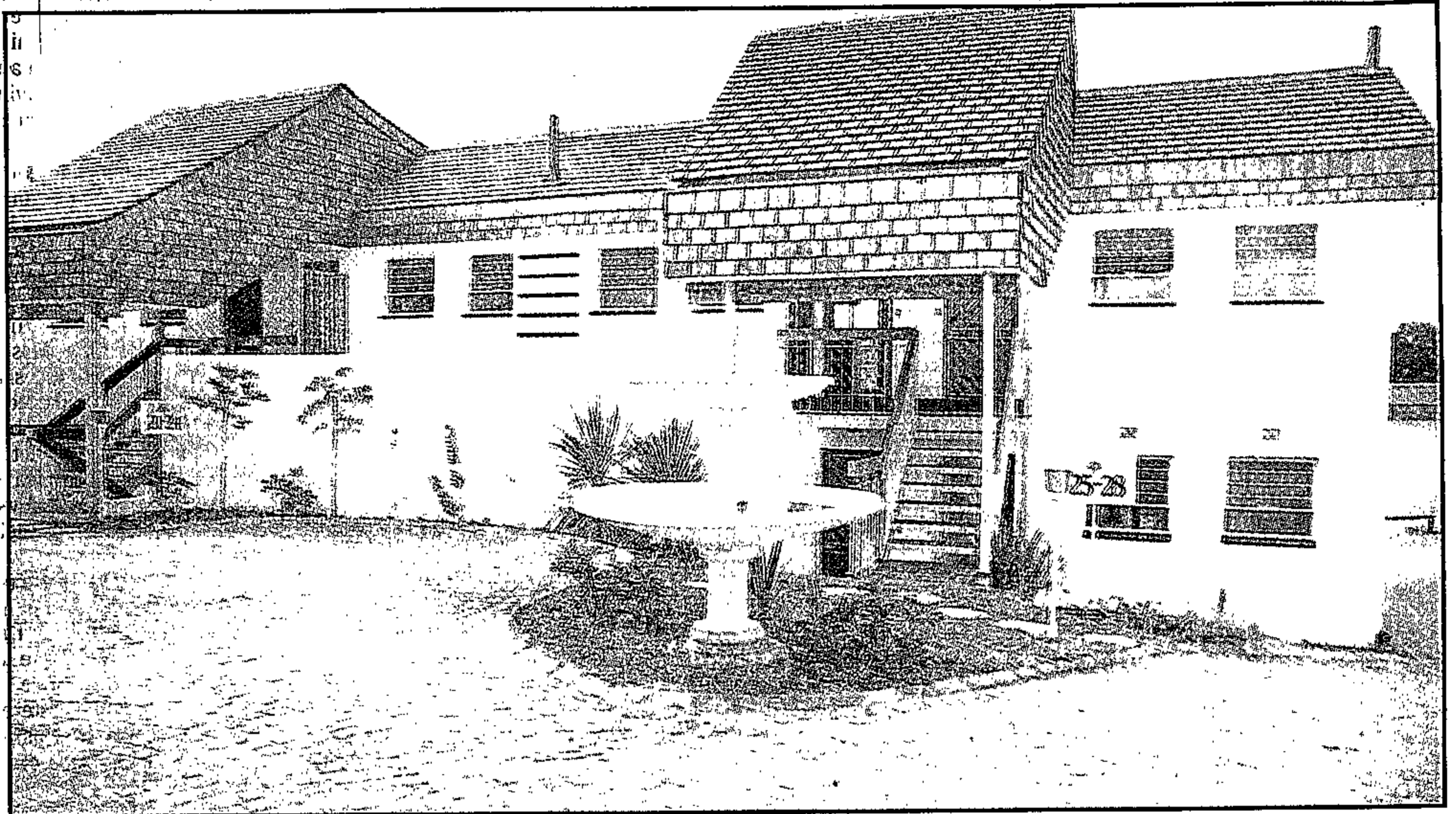
The more conventional building society bond-financed deal brings with it higher initial costs as the price of greater peace of mind, but if you stop to think about it, similar leverage will work to your benefit over time as the capital value of the property grows.

Of course, if you intend making a habit of such suspensive investments, you must expect that sooner or later the Receiver of Revenue will label you as a trader and demand his share of your profits. Furthermore, you also have to recognise that residential property often lies in the doldrums for years during which the original costs of your investment will continue rising, negating the 2,29 to one leverage of the example I have given.

Indeed, be warned that if you do not get your finances right, the leverage could work against you if, for example, in deflationary market conditions you were obliged to sell for less than your original purchase price.

● "How To Make a Million", "Making Money With the Mutuals", "Investment Without Tears" and "Advertising for Free" are available from The Promotions Department, The Daily News, PO Box 47549, Greyville 4023.

They are priced at R40 each inclusive of postage and VAT. Demonstration disks of his ShareFinder sharemarket analysis computer programmes cost R35.



HIGH STAKES: Your house is your biggest asset and when the chips are down and you cannot meet payments, it is not necessary to lose it. A building society can implement a last-ditch rescue effort.

There's still hope when crunch comes

STAR 242192

HOW many houses are repossessed every year?

There is no national figure available, but many more properties have been repossessed in the past couple of years. On a national basis, the NBS repossessed between 600 and 800 houses.

The reason for the increase is the addition volume of lending. Financial institutions are doing an enormous amount of lending.

The competition from banks has created many difficulties for the traditional house lenders because the banks have taken a "banking" line on loans and have made home ownership more accessible.

We have had to amend our tried and tested procedures to meet that competition. The result has been an increase in repossessions. But seen against the background of the large number of new loans granted, repossessions are a tiny proportion.

Who is being hit?

There is an across-the-board profile of people affected — from the lower-income groups through to the higher income. The unemployment problem has been the single biggest factor.

When will a house be repossessed?

That depends on individual circumstances. At the NBS, we look at each account every month. If the instalment set — which is based on a repayment term at a certain interest rate — is not paid, we send out a reminder notice.

If a house owner walks in and says, "I can't pay — here are the keys," we suggest selling the property and other options and

HOUSE owners were given a shot in the arm last week with the announcement of a cut in mortgage rates from March 1. But for some the relief will be only temporary and the spectre of instalment default and subsequently losing their homes still looms large.

YOUR MONEY asked NBS assistant general manager Mr Trevor Olivier to comment on the mortgage crisis facing South Africans.

if this fails, we institute legal action.

What alternatives are there?

There are several:

- In an "advance" situation, where excess amounts have previously been paid into the account, it is possible to skip instalment.

- If there is sufficient margin between the balance owing and the value of the property, another alternative is to register a further bond to cover the arrears.

- Extending the term of loan can make a difference, but a negligible one. For example, over 20 or 30 years, on a R100 000 loan, it is about R30 a month.

- Asking your employer for help in advancing funds against pension assets or from accumulated leave.

- Cashing in on insurance policies with surrender value, using them as collateral security or borrowing against them to pay the arrears.

- Paying interest only for a while.

- Using the government deferment scheme that provides the financial institution with a guarantee and allows a repayment based on a 17 percent rate.

What about other debts?

Pay your house loan first. The cost of acquiring and then losing your house is very high. Other movable assets are not inflation-linked in the way that your house is.

Many defaulting house owners stay on as tenants.

That is a possibility if we can't find a tenant, but it seldom happens.

What happens to repossessed houses?

The financial institution becomes the owner after the "sale in execution" and has to manage the upkeep. An effort is then made to sell the property on the open market.

Who is responsible for the upkeep of repossessed houses?

The lender.

If your house is sold for less than your mortgage, are you still in debt?

Yes — there is a personal obligation by the borrower. We try as far as possible to collect that money, because it is unfair to borrowers, investors, shareholder and other house owners to do otherwise. The "lost" money has to be absorbed into our costs, which would ultimately impact on margins.

HOMES: Clarifying of loan mysteries urged to cut repossessions among blacks

Call to educate owners

STAR 2/21/92

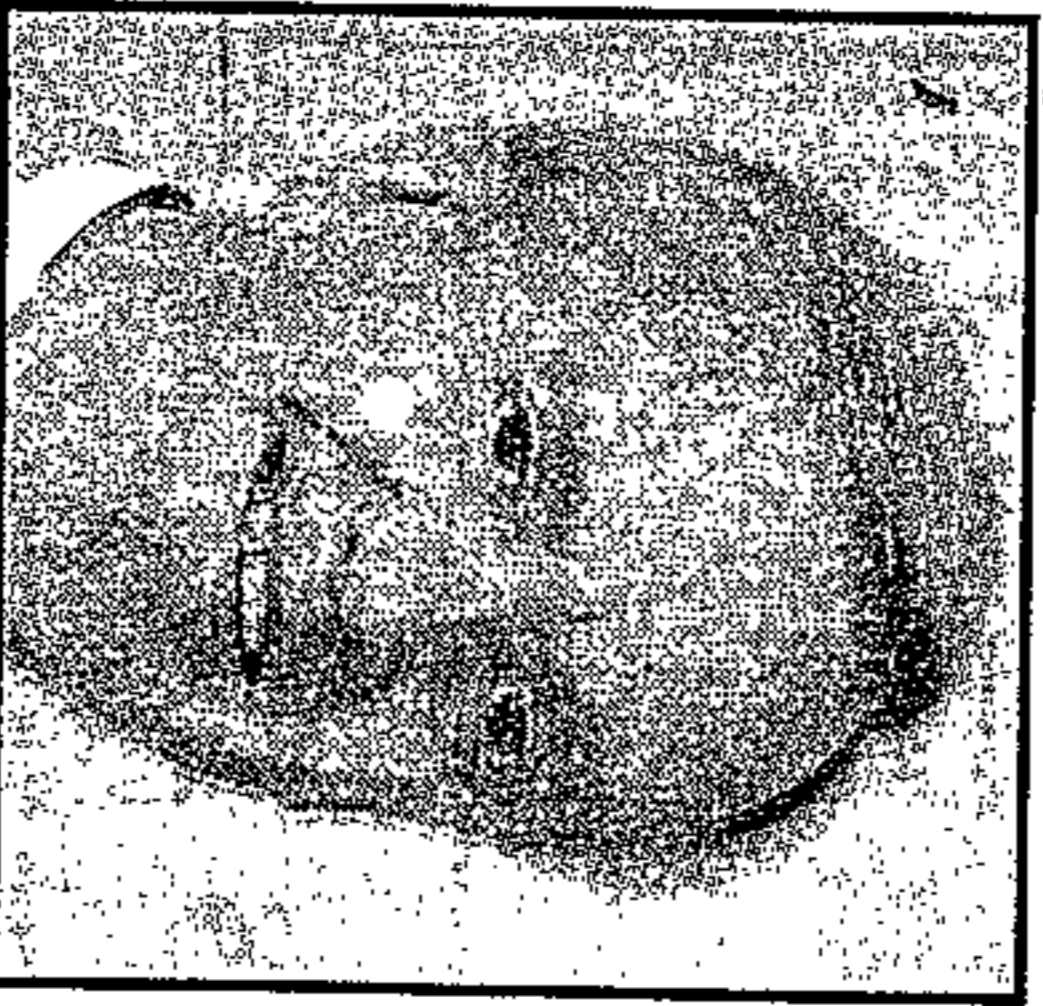
V23

STRINGENT efforts are vital to overcome Third World distrust of the intricate mechanisms of housing finance, says a property executive.

THE ever-increasing number of sales-in-execution of homes in many black communities is reaching alarming proportions and must be addressed, Mr. Piet Hamman, chairman of De Huizemerk, said this week.

Many financial institutions had erred in loaning money to a Third World community on the premise that First World principles applied to both black and white, he said.

Two industries serving the black community, retail furnishing and retail clothing had, initially, both experienced great difficulties.



PIET HAMMAN: "Give rewards for good track record."

A long process of education and awareness, however, turned the two industries into sparkling examples of how First and Third World philosophies could mesh, said Mr. Hamman.

These industries had succeeded in explaining the credit system to purchasers.

"The client makes his payments every month and sees his indebtedness reduced and, finally, the account is paid off," said Mr. Hamman.

MORTGAGE CRISES: What happens when you face repossessions?

"If the client pays well, his credit rating is increased and he is able to buy more goods. Once he has had his second or third account, there is a chance that he can buy without a deposit. He is rewarded for proper performance.

"But the person who wishes to acquire his first home isn't shown an invoice. If he has bought a flat for R30 000, he is told that he must pay a deposit of R3 000, legal fees of R600, rates and taxes of R200 and transfer duty of R200.

"He is then told that at 20 percent interest rate he will have to make 240 instalments of R509, meaning that he would pay R122 316 for his property.

"He receives the first instalment from his financial institution, which looks something like this:

Balance outstanding: R30 000;
Payment: R509; New balance:
R29 491; Debt interest: R500; Sub-
total: R29 991.

"The owner can't understand this. He has paid R509 and the balance has only come down by R9. He believes that someone has stolen his R500.

Maintenance

"He needs to be educated and shown that one day he will make a profit. It may well be the first time that he has bought anything that will increase in value with time.

"He must, at the same time, be educated on standards of maintenance and appropriate numbers of residents per dwelling," Mr. Hamman said.

"An environment must be created in which rewards are given for regular payment of instalments. Vouchers, lucky draw cards and newsletters could help to create an aspirational environment where people cherish and maintain their properties.



Some industries had succeeded in explaining the credit system to purchasers, says Piet Hamman, chairman of De Huizemerk. "The client makes his payments every month and sees his indebtedness reduced and, finally, the account is paid off."

Baiting the hook is an art

WHAT is more important when you sell — a high price or a quick sale? It is on this, as well as the character of the house, that you must decide on what method to use when selling.

The most frequently used method is by private treaty. This is negotiating with a buyer to arrive at a mutually acceptable price. You have two tasks here — finding the right buyer and persuading him to pay your price.

The easiest way to meet the right buyer is through an agent. Your agent should be able to compile a short list of likely buyers.

Points to remember are:

1. Set the right objective.
2. Ask the right price.
3. Make the house attractive.
4. Time your marketing correctly.
5. Appoint the right agent.
6. Give him a sole agency for the right length of time, then you will be well on your way to getting the right price.

Main aim

One of the most important factors working for you is the appeal that a house has for buyers when it is new on the market. Although this is something intangible, it nevertheless has a strong influence.

If your main aim is to sell quickly, do not start off with a high price. We are often asked to start at a high price "for a cou-

STAR 22/2/92
SELLING YOUR HOME

BERNARD O'Riain



A NEW series by **BERNARD O'RIAIN**, managing director of Seeff O'Riain.

Slow period is predicted

THE residential property market will remain under pressure this year and is not expected to come to life until the second half of 1993.

This opinion is expressed by Boland Bank economist Mr Louis Fourie in the bank's latest economic review.

"The building industry is showing considerably more resistance to the downward trend in the economy than during the previous slump," he said.

It was clear the property market was awaiting an increase in the general activity level of the economy.

"Traditionally, the property market takes between 12 to 18 months to respond to an upswing, which means that the market will only begin to 'come to life' by mid-1993."

"House prices have, for the eighth consecutive year, failed to keep pace with the rate of inflation.

ple of weeks".

Well, why not? The facts are that in those few weeks the most urgent and immediate buyers are all introduced. They will see that your house is overpriced and look elsewhere. The opportunity for a quick clean sale is thus lost.

When you drop the price after two or three weeks, buyers may won-

der "what is wrong with the property? Why is the price coming down?"

Difficulties sometimes arise because the house is unusual in some way. It may be out of its price class — too expensive for the average buyer in its area, for instance.

It may be much larger or smaller than most houses in the neighbourhood or have other unusu-

al features.

In this case, it is quite possible that your agent will be unable to find a buyer on his books. He will then have to advertise. Even small advertising is seldom effective in such a case, because the right type of buyer does not expect to see his kind of house advertised in that part of the newspaper and does not bother to look there.

Because of this we use display advertising, selling by means of a show-house. The advantages are: advertisements that are attractively designed and illustrated with inviting photographs which are noticed by a wide circle of buyers; they provide for casual viewing of the house on a Sunday; the buyer does not have to make an appointment to see the house.

Viewing

They create excitement which may stimulate the buyer into making up his mind to buy, because he sees other visitors also showing interest. A showday can lead to a seller receiving more than one written offer. We would rather bring you two offers which we can negotiate up for you, than no offer at all.

Viewing is usually from 11 am to 5 pm. This is quite important as the house can be kept tidy and looking its best for the show period and the family can carry on its normal activities at other times.

THE Housing Advice Centre has interviewed many people who complain that their contracts with building contractors have been cancelled and they cannot get back their large deposits from the building contractors.

Getting back your deposit is tricky - there are two main issues to consider.

Firstly, who caused the contract to be cancelled? Secondly, how much damage was caused by the cancellation?

The homeowner may decide that he or she does not want to live in the particular area or the house is too expensive. In this case, if the homeowner causes a breakdown in the contract by, for example, not signing documents or by not taking occupation of the house, then the house owner has breached the agreement and the contractor could deduct costs from the deposit.

BREWWARE THE SMALL PRINT!

C/P 2005

23/2/92

123 (355)

protect himself against the builder keeping his deposit in the case of cancellation.

First, you should ensure there is a clause in your contract that the agreement will only become binding once a bank or building society approves your loan.

The loan must be approved within a reasonable period.

Secondly, it is important to have a clause in your agreement which states that if you cancel the agreement you will only be responsible for the damages you actually cause.

Even if a contractor provides you with a contract which is already drawn up it is quite acceptable to make changes to the contract before both you and the contractor sign it.

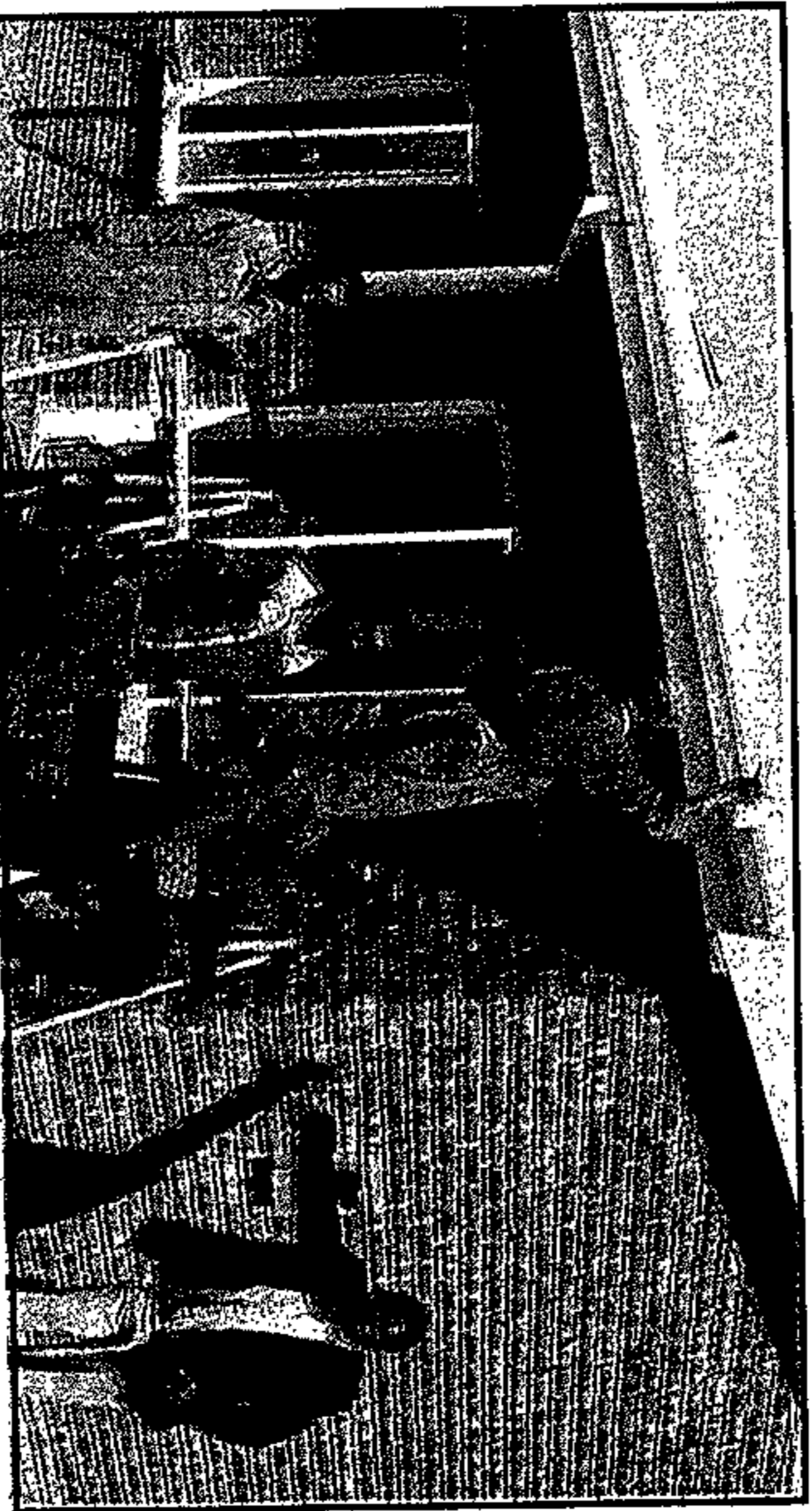
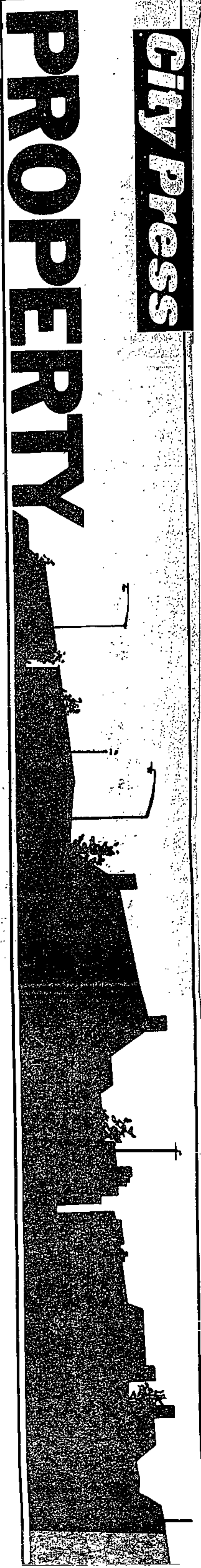
If you qualify for assistance the Housing Advice Centre will help you check your contract and make changes if necessary.

The Housing Advice Centre is at 405, 4th Floor, Gloucester House, 66 Rissik St, Johannesburg. Telephone: (011) 333-2476/7.

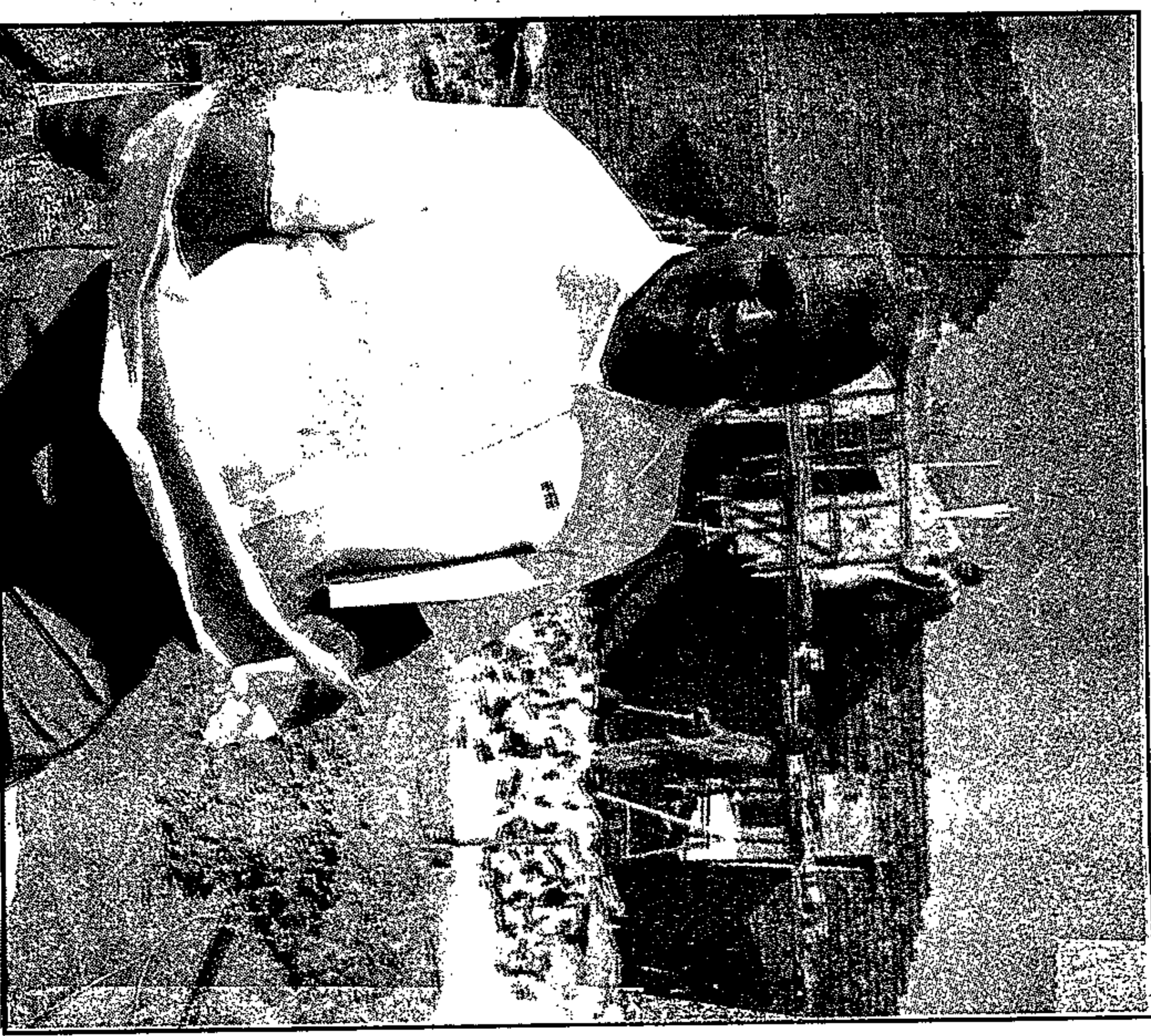
There are ways in which the homeowner can

An agreement to build a house may not proceed because the building society or bank will not grant a mortgage bond (loan) to the homeowner.

Many building contractors have clauses in their contracts which provide that if the agreement is cancelled for any reason the homeowner will lose his money - sometimes the whole deposit. In some cases people have lost money even when it was not their fault.



GOING UP . . . But if the builder or the person for whom the house is being built cancels the contract damages will have to be paid.



UNDER SUPERVISION . . . But the building contractor must do the job properly and finish on time. Otherwise the owner may be able to cancel.

HOUSE OF ASSEMBLY

QUESTIONS

Indicates translated version.

For written reply:

General Affairs:

Housing shortage: Blacks

41. Mr P G SOAL asked the Minister of Local Government and National Housing:

- (1) What is it estimated was the shortage of housing for Blacks in the Republic, excluding the self-governing territories, at the end of 1991; **123**
- (2) how many houses were provided in each province in 1991 for such Blacks by (a) the State, (b) local authorities and (c) the private sector;
- (3) when is it estimated that this shortage will be eliminated? **B66E**

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) 387 891 31 December 1991

(2) (a) 477

(b) 15

(c) 5 918

(3) It is the aim of the Government that by the year 2000 shelter will be provided for all South Africans.

Natal

(1) 238 205 31 January 1992

(2) (a) Nil.

(b) No information available.

(c) No information available.

(3) It is the aim of the Government that by the year 2000 shelter will be provided for all South Africans.

Cape

(1) 235 885 31 December 1991.

(2) (a) 873

(b) Nil.

(c) 2 173.

(3) It is the aim of the Government that by the year 2000 shelter will be provided for all South Africans.

Orange Free State

(1) 73 991 31 December 1991.

(2) (a) 201

(b) Nil.

(c) 695.

(3) It is the aim of the Government that by the year 2000 shelter will be provided for all South Africans.

Housing backlog: Blacks

42. Mr P G SOAL asked the Minister of Local Government and National Housing:

- (a) What is the extent of the housing backlog for Blacks in respect of each of the nine development areas in the Republic of South Africa and (b) in respect of what date is this information furnished? **B67E**

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Transvaal

(a) Region F 60 954

G 4 208

H 305 478

J 17 251

(b) 31 December 1991.

Natal

(a) Region E 238 205

(b) 31 January 1992.

Orange Free State

(a) Region C 73 991

(b) 31 December 1991.

Cape Province

(a) Region A 105 120

B 25 659

D 105 106

(b) 31 December 1991.

Wendy Orr Interdict: allegations against SAP members

67. Mr E W TRENT asked the Minister of Law and Order:

- (1) With reference to the affidavits submitted to the courts in the case following the Wendy Orr Interdict, (a)(i) what were the names of the policemen against whom criminal behaviour was alleged and (ii) how many allegations were submitted against each policeman and (b)(i) what was the rank of each of these policemen at the time of the allegations and (ii)(aa) how many of them were still in the Police Force, and (bb) what was the rank of each such policeman, as at 28 January 1992 or
- (2) whether any of these policemen have been (a) suspended or (b) dismissed from the Force; if so, what are the relevant details;
- (3) whether an internal inquiry was instituted into this matter by the South African Police; if not, why not; if so, what were the findings;
- (4) whether the record of this inquiry is a public document?

The MINISTER OF LAW AND ORDER: B157E

NAMES	ALLEGATIONS	RANK 1985	SERVING MEMBER	RANK IN JAN 1992
George J Beeton	1	Capt	Yes	Capt
Izak P du Plessis	1	Capt	Yes	Lt-Col
Charl P Strydom	2	Lt	Yes	Capt
Gideon	3	Lt	Yes	Capt
Deon A Els	1	Lt	Yes	Capt
Eric A Taylor	1	Lt	Yes	Capt
Gerhard J Lotz	1	Lt	Yes	Capt
Gert P Bezuidenhout	1	Sgt	Yes	Capt
Francis V Coetzee	7	W/O	Yes	Lt
Neil Coetzee	1	W/O	Retired	W/O
Carel H Swart	5	W/O	Yes	W/O
Freddie van Wyk	1	W/O	Deceased	W/O
Theminkosi A Faku	1	W/O	Yes	W/O
Templeto Luthi	7	W/O	Deceased	W/O
Matthew M Mpokehi	2	Sgt	Deceased	Capt
Mzikoyise A Tungata	2	Sgt	Yes	Const
Phumuzile H Jann	3	Sgt	Yes	Sgt
Rodwell Ndiyane	4	Sgt	Yes	Sgt
Vukile M Nesi	5	W/O	Retired	W/O
Wilbeforce M Sikwebu	16	W/O	Retired	W/O
	1	Const	Yes	Const

- (2) (a) No.
- (b) No.
- (3) A departmental investigation is still pending at present together with certain civil actions which were lodged in the case in question. Departmental steps will be considered after finalization of the civil actions and the relevant investigation.
- (4) Falls away.

HOUSE OF ASSEMBLY

Continue

The MINISTER OF DEFENCE:

- (a), (b) and (c) ~~are~~ Figures are not supplied as it creates the opportunity for certain individuals and/or organisations to use them for political gain and this is not in the national interest or in the interest of the SA Defence Force.
- (2) the constituent of the mixture, d-norpseudoephedrine can be abused and may be habit-forming. The substance is currently scheduled in Schedule 2 which means that it may only be prescribed by doctors and pharmacists and that the particulars of each sale must be recorded in a prescription book. The Medicines Control Council has on numerous occasions considered the rescheduling of the substance, but has decided that the risks involved with the controlled use of the substance is not so large that the substance should be placed under more stringent control;

Official population figures

78. Mr M J ELLIS asked the Minister of Home Affairs:

The MINISTER OF HOME AFFAIRS: B223E

The preliminary results of the 1991 population census are furnished. The information is as enumerated and has not yet been adjusted for undercount.

Certain mixture: complaints

80. Mr M J ELLIS asked the Minister of National Health:

- (1) Whether she or her Department has received any complaints, enquiries and/or representations regarding a certain mixture, the name of which has been furnished to the Minister's Department for the purpose of her reply, which is available in certain retail pharmacies in the Republic of South Africa; if so, what (a) is the name and (b) are the ingredients of this mixture;
- (2) whether any of these ingredients or the mixture as a whole contains any habit-forming or addictive substances or has such qualities; if so, what are the relevant details;
- (3) whether she or her Department intends taking any action (a) against the manufacturer, and (b) in respect of the sale, of this mixture; if not, why not; if so, what action?

B225E

The MINISTER OF NATIONAL HEALTH: (1) Yes, (a) "Eazislim". It consists of three separate products supplied in the form of

- (a) kit, that must be mixed beforehand by the pharmacist before the mixture is sold to the public and (b) d-nor-pseudoephedrine powder a tonic called Lytton, a mixture containing senna;
- (2) the constituent of the mixture, d-norpseudoephedrine can be abused and may be habit-forming. The substance is currently scheduled in Schedule 2 which means that it may only be prescribed by doctors and pharmacists and that the particulars of each sale must be recorded in a prescription book. The Medicines Control Council has on numerous occasions considered the rescheduling of the substance, but has decided that the risks involved with the controlled use of the substance is not so large that the substance should be placed under more stringent control;
- (3) (a) steps have already been taken against the distributor of the mixture. The mixture is no longer sold as "Eazislim", and the distributor now sells the individual components to pharmacists and
- (b) the sale of the mixture took place as a result of a loophole in the regulations which were promulgated in terms of the Medicines and Related Substances Control Act, 1965 (Act 101 of 1965). Steps have already been taken to amend the regulations to curb this sort of activity.

Free settlement areas

98. Mr P G SOAL asked the Minister of Local Government and National Housing:

- (a) How many free settlement areas have been proclaimed since the promulgation of the Free Settlement Areas Act, No 102 of 1988, (b) where are these areas situated, (c) what is the size of each, (d) how many persons are living in each of these areas and (e) in respect of what date is this information furnished?

(123) B247E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING: (a) 13.

HOUSE OF ASSEMBLY

(b)

Midrand (Country View) Transvaal	479,0 ha
Windmill Park (Transvaal)	60,4 ha
Warwick Ave Triangle (Natal)	8,9 ha
Diepsloot (Transvaal)	880,0 ha
Zonnebloem (Cape)	93,0 ha
Waterval (Transvaal)	211,0 ha
Zuurbekom (Transvaal)	1 375,0 ha
Messina Extension 8 (Transvaal)	35,43 ha
Knysna Extension 10 (Cape)	90,0 ha
Ottery-Wetton (Cape)	109,0 ha
Cato Crest (Natal)	101,0 ha
Zeekoei Valley (Natal)	139,0 ha
Alwyn Balmoral-Uitenhage (Cape)	1 205,0 ha
TOTAL	4 786,73 ha

- (d) Information not available.
(e) 30 June 1991.

Own Affairs:

Housing units

10. Mr P G SOAL asked the Minister of Housing and Works: **123**

Whether his Department intends building any housing units in the Republic in 1992; if not, why not; if so, (a) in which centres will they be built and (b) how many units will be built in each of these centres?

The MINISTER OF HOUSING AND WORKS: B71E

Yes, the Department of Local Government, Housing and Works has approved projects for the erection of housing units in 1992 in the regions as listed below in respect of local authorities and welfare organisations.

(a)	(b)
Northern Transvaal	613
Southern Transvaal	661
Natal	170
Eastern Cape	189
Western Cape	798
Northern Cape	74
Orange Free State	78

In respect of question 79 asked in 1991 on this it should be mentioned that it was also in

HOUSE OF ASSEMBLY

respect of projects that were approved and for which funds were made available. **123**

Teachers: posts/bursaries

14. Mr K M ANDREW asked the Minister of Education and Culture:

(1) How many qualified teachers were made redundant, retrenched or retired early because of a surplus of teachers during or at the end of 1991;

(2) how many teachers who qualified at the end of 1991 were unable to obtain posts from the beginning of 1992;

(3) (a) how many White student teachers have bursaries from the State at present and (b)(i) what is the annual cost to the State of such bursaries and (ii) in respect of what year is this information furnished?

B110E

The MINISTER OF EDUCATION AND CULTURE:

(1) 1 550;

(2) 28*;

(3) (a) 8 652,

(b) (i) R29 268 143,

(ii) 1991.

*Applies to bursars. An approximate figure as the Cape Education Department does not keep statistics of this nature.

Teachers made redundant

15. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether any (a) secondary and (b) primary school teachers employed by (i) his Department and (ii) each of the provincial education departments were made redundant in 1991; if so, how many in each case in (aa) his Department and (bb) each province;

(2) whether any of these teachers were subsequently employed in another capacity within his Department; if so, (a) how many and (b) in what capacity was each of these teachers employed in (i) his Department and (ii) each province?

B51E

The MINISTER OF EDUCATION AND CULTURE:

(1) (a) (b)(i) and (ii) Yes,

(aa)	(a)	(b)
Total in Department	585	841
(bb) Cape	167	165
Natal	161	189
OFS	135	240
Transvaal	122	247;

(2) yes,

(a) 186* teachers who, without a break in service, chose to remain in service and who received no pension benefits,

(b) (i) 89* in permanent and 97* in permanent relieving teaching posts,

(ii) Cape: Statistics of this nature are not kept, Natal and Orange Free State: 0, Transvaal: 89 in permanent and 97 in permanent relieving teaching posts.

*CED statistics excluded.

School facilities: other population groups

18. Mr R M BURROWS asked the Minister of Housing and Works:

Whether, since the reply to Question No 27 of 19 March 1991, any unutilized or underutilized school facilities have been made available to other population groups; if not, why not; if so, (a) which facilities, (b) to whom have they been made available and (c) in respect of what date is this information furnished?

B153E

The MINISTER OF HOUSING AND WORKS:

Yes, the following unutilized or underutilized school facilities have been made available to other population groups during the period 2 March 1991 to 6 February 1992:

- (b) Department of Education and Training
- (a) — Laerskool Tobie Winterbach, district Balfour
 - Laerskool Perdokop, district Volksrust

— Laerskool Pienaarsrivier, district Warmbaths

— Laerskool Marong, district Waterberg

— Laerskool Kommadagga, Somerset-East

— Maclean Town Primary School, Maclean town

— Laerskool Tainton Village, Tainton, East-London

— Laerskool Golden Valley, Somerset-East

— Laerskool Venterstad, district Burgersdorp

— Highflats Junior Primary School, Ixopo

— Keate Street Junior Primary School, Ladysmith

— Laerskool Bulwer, Bulwer

— Coronation Park Primary School, Vryheid

— Aiken Park High School, Port Shepstone

— Willem Pretorius Primêre Skool, district Bloemfontein

Department of Education and Culture:

— Laerskool Tafelberg, Woodstock, Cape Town

— Laerskool Addo, Kirkwood

— Laerskool Eim-elland, district Gordonia

— Laerskool Karos Kanon, district Gordonia

— Laerskool Gariep, district Gordonia

— Laerskool Hermon, Hermon: Malmesbury

— Laerskool Kalbaskraal, Kalbaskraal

— Laerskool Klaasvoogd, district Robertson

— Laerskool Papendorp, Vanrhynsdorp

— Laerskool Riebeck-Oos, Riebeck-East

HOUSE OF ASSEMBLY

Home loan rates 'need revision'

(123) CF 24/2/92

By MAGGIE ROWLEY
Property Editor

A SLIDING scale at low interest rates for home loans needs to be urgently implemented to increase affordability and stimulate demand at the lower end of the market, says Dave King, MD of Calsica.

King said those hardest hit by rising interest rates were those who most needed housing.

"Unless some measure in this regard is implemented the poorer sectors of the population will not be able to afford housing."

He suggested the authorities investigate a system whereby, for example, interest was charged at 14% on loans of up to R30 000, 15% on loans between R30 000 and R60 000,

rising progressively according to the size of the bond.

King said the masonry industry was presently working to only about 80% of capacity and margins had been totally eroded.

He said this was due not only to the drop in low-cost housing as a result of among other things high interest rates and lack of a coherent housing policy, but also the new entries into the masonry industry.

"Towards the end of 1989 and 1990 when demand was still strong there was a flood of new entrants into this industry. However the market fell off sharply soon after that and many of these smaller operations have hung in there undercutting other players.

"They have been able to do this as they have lower overheads and

operate mostly on a cash basis, whereas larger players in the industry have been crippled by an increasing debtor's book."

King said most of the larger players' debtors books had grown sharply in the past three months, partially due to the seasonal rollover of debt for the builder's holidays and partially due to cash flow problems experienced throughout the construction industry.

"Clients are taking longer to pay contractors who in turn are taking longer to pay suppliers," he said.

He said wage increases, which had averaged between 17% and 20% a year for the past three years had also served to erode profit margins.

"In fact at present there is no such thing as a price list with many

players in the market practically taking any price they can get just to survive," he said.

Calsica, he said, was operating at a slightly higher capacity level than the industry average due to their diversified product range, which includes paving, face bricks and environmental products.

"If we were purely reliant on low cost housing we would only be operating at about 25% of our capacity and we are continuing to diversify to take advantage of what opportunities there are," he said.

"The lower end of the housing market is dead. There are presently only about three developments taking place in this sector and the only real activity is at the top end of the market, which due to saturation

levels may not be able to hold up at the present level."

King said while many hopes hinged on the De Loor report which is expected to be released shortly, no real direction in housing policy or commitment to it could be expected before a political settlement was in place.

Predicting yet another tough year for the industry, he said conditions would remain depressed until such time as interest rates dropped and the economy picked up.

"But once a political solution is in place, pent up demand should see the market picking up dramatically. Meanwhile we are investing R500 000 modernising our calcium silicate brick plant which is servicing the upper end of the market which remains relatively buoyant."

~~253~~ ~~254~~
Almost 1-m
houses for (123)
STAR 26/2/92
blacks needed

There was a shortage of 935 972 houses for blacks nationwide, Minister of Local Government and National Housing Leon Wessels said in the House of Assembly yesterday.

He said in a written reply to a question by Peter Soal (DP Johannesburg North) that the Government's aim was to provide shelter for all South Africans by the year 2000.

The shortage in the Transvaal totalled 387 891 houses, 238 205 in Natal, 235 885 in the Cape and 73 991 in the Free State.

The Government had provided 1 350 houses nationally in 1991 with 477 built in the Transvaal and the rest in the Cape. None was built in the Free State and Natal.

In the Cape, Transvaal and Free State, the private sector built a total of 8 786 houses. No information was available for Natal.

Local authorities built 15 units in the Transvaal, and none in the Cape and Free State. No information was available for Natal. — Sapa.

Housing figures uncertain

CAPE TOWN — The official estimate of the black housing shortage outside the homelands was 935 972 at the end of last year, but with an estimated 7-million people living in squatter camps, the shortage is clearly higher.

Local Government and National Housing Minister Leon Wessels said yesterday the estimated shortage in the Transvaal was 387 891, 238 205 in Natal, 235 885 in the Cape and 73 991 in the Free State.

Wessels, replying to a question in Parliament by Peter Soal (DP, Johannesburg North), said the state had provided 1 350 houses in 1991, 477 in the Transvaal and 873 in the Cape, but none in Natal and the Free

State. Local authorities provided 15 in Transvaal.

The private sector provided 5 918 houses in the Transvaal, 2 173 in the Cape and 695 in the Free State, but there was no information available for Natal.

Asked when the shortage would be eliminated, Wessels replied it was the aim of government that by the year 2000 shelter will have been provided for all in SA.

□ Sapa reports Wessels said 13 free settlement areas totalling 4 787ha had been proclaimed by the end of June last year.

He said there were six areas in the Transvaal, four in the Cape and three in Natal.

(123) (337) (326)
Political Staff

Sipam 2/12/92

Scramble for cheap sites

Soneta 27/2/92

123

HUNDREDS of inquiries are streaming into the offices of the Directorate of Housing, House of Representatives, about the sale of serviced sites to low-income earners.

The sites, which cost between R8 000 and R16 000, are being sold through municipalities and Regional Services Councils in various parts of the country.

The Deputy Director of Housing, Mr John Hopkins, said some banks and building societies were prepared to provide small loans for the purchase of these sites.

He said: "Loans are granted according to an individual's income and financial security. Prospective loan applicants should ask their local financial institutions for full details.

Self-help builders

"A breadwinner who earns less than R2 000 a month is thus not in a position to be helped by the banks. He can apply to the municipality to purchase a plot on special terms. The monthly instalments are calculated according to income," he added.

The directorate actively encourages self-help builders and has made available technical advice and building plans for one, two and three-bedroomed units.

"By building your own home, you can save up to 50 percent in construction costs. It is heartening to note how many people are prepared to roll up their sleeves and work hard to realise their dreams," Hopkins said.

He also urged local authorities and management committees to relax building regulations to enable self-help builders to start off with a modest structure and gradually upgrade it within a reasonable period of time.

"Some local authorities allow self-help builders to live on-site in a temporary shelter while the actual house is being built."

To find out about available plots in their area, prospective buyers are urged to contact the municipality or Regional Services Council directly.

Builders urge massive homes help

THE National Home Association of Builders has requested the Government allocate about R1 500 million of the 1992 budget on special subsidies for homeless black families.

The Minister of Housing, Mr Leon Wessels, has been told that there was an urgent need to avert a disaster that might arise as a result of the black housing crisis.

However, the Minister has not as yet responded to the

● To facing page

Plea for homes aid

Sowetan 27/2/92
● From previous page

request, according to the executive director of NAHB, M Daan Roelvert yesterday.

He was "sincerely hoping" the Government would look into the matter when tabling its Budget in Parliament on March 18.

Roelvert said that it was hoped the project - to take place as soon as funds are available - would create jobs for the unemployed.

The association had suggested an expenditure programme that would be repeated every year until the problem had been solved.

The subsidies should take the following forms:

R1 500 million a year in initial subsidies to accelerate the provision of serviced sites for no fewer than 200 000 bonds every 12 months.

Joint incomes

A portion of the total be channelled into the Independent Development Trust to maintain the momentum of the R750 million scheme it has launched to provide 100 000 serviced sites for homeless families with incomes below R1 000 a month; and

The remainder should be handled by the Development Bank of Southern Africa or a similar agency and earmarked for homeless families whose joint incomes peaked above R1 000 a month but were still struggling.

These subsidies should be a combination of schemes to finance the delivery of serviced sites, similar to IDT approach, or else in direct cash subsidies in the form of coupons tied to spending on whatever sort of shelter was chosen by the beneficiaries themselves.

R150 million a year should be ploughed into first-time home-buyer subsidies aimed at families in slightly higher income brackets - covering one-third of the interest paid on home bonds for seven years.

The board estimates that this second programme would facilitate the building of at least 110 000 houses a year in the price range between R12 500 and R65 000.

It has also urged the Government to make public commitments to policies pledged to assign priority to spending on housing subsidies.

All stories by

JOSHUA RABOROKO

HOUSING (23) (23)

There was a shortage of 935 972 houses for blacks nationwide, according to Local Government and National Housing Minister Leon Wessels.

The shortage in the Transvaal totalled 687 891 houses, 238 205 in Natal, 235 885 in the Cape and 73 991 in the Free State.

The government built 1 350 homes last year with 477 built in the Transvaal and the rest in the Cape.

Security now a top priority among whites

ONE in five whites in SA metropolitan areas took security measures last year, a Markinor poll shows. *B12 ay 28/2/92*

In the Durban-Maritzburg area, nearly one in three installed some form of security measure. Port Elizabeth and East London residents followed with 22% installing systems. Next was Cape Town at 18%, followed by the PWV area at 17% and

Bloemfontein at 3%. *(123)*

"The results reflect white South Africans' response to escalating burglaries and violent crime," Markinor director Peter Scott-Wilson said yesterday. *(123)*

"One in 10 people plan to install security items in the current year. Over the past two years, one third of the white population has either installed or has planned to install some form of security." — Sapa.

Financial shops

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Killers to die

VIRGINIA — Two men were sentenced to death yesterday for the murders of four people in the Mshenguville squatter camp in 1990. *(123)*

Philip Mathela, 25, and Phami Hlobo, 26, were sentenced in the Circuit Court in Virginia in the Free State, for killing four Odenaalsrus residents, Anthony Marc Casey, Johannes Petrus van Niekerk, Michael Frederick Belelie and Shelly Erika Basson. *(123)*

Three other men, Mmandla Kapele Dlamini, 28, Jeremia Moikabi, 26, and Justus Segopa, 26, were each sentenced to 25 years in jail on the same charges.

Three youths were sentenced to five years, suspended for five years.

In sentencing, Mr Justice D J Lombard said the murders had been brutal, bloodthirsty and inhuman.

Their participation in crime, despite warnings to stop, and lack of remorse, had served as aggravating evidence. — Sapa. *28/2/92*



WHITE ELEPHANT: Indulging your whims for the peculiar could cost you dearly when you try to sell.

SELLING
YOUR HOME

**BEARNARD
O'Riain**



Unrealistically high price may deter buyers

(123)
STAR 29/12/92

OFTEN it happens that the seller who asks for R190 000 for a house the fair market value of which is R170 000, gets say, R160 000. Often he only gets this low figure after a long nerve-racking and sometimes costly selling effort.

Had he asked R179 000, he might have got R170 000. This paradox is easily explained. An unrealistically high priced house makes a poor impression in comparison to other houses. It also gets shown to the wrong buyers, who naturally are disappointed. The house stays on the market for a long time and consequently gets a bad name. Comments like, "that house has been on the market for months — there must be something wrong with it", give buyers a poor opinion of the house without their even seeing it.

So, if one of them is interested, he makes an especially low offer to cover the risk he thinks he is taking. If the seller needs to sell before some deadline, he may be forced to take the only available offer, even if it is low.

Setting the right price therefore is a vitally important part of the selling job.

The first step in setting the right price is to find the fair market price at that time. This is the price that a keen buyer will pay a willing seller in conditions where they can negotiate freely. The second step is then to add a bargaining margin to arrive at the asking price.

Red herrings

How does one find the fair market price? Estate agents and the financial institutions almost invariably use the comparison method. They compare the house to the other houses sold in the area and then use their judgment to find the right price for this one. The seller would need to do something similar. He should take an interest in the market, discuss sales, visit show houses and talk to agents. In this way he will develop a "feel" for the market.

In doing this there are a number of red herrings which might confuse him.

Beware of these mistakes:

- (1) Don't confuse asking price with the actual prices paid.
- (2) Don't rely on the municipal valuation. Some houses are sold for treble their municipal valuation while others fetch only a few thousand more.
- (3) Don't accept as true the prices you hear were obtained. Prices are often embroidered before reaching you, like the parlour game of broken telephones. Your neighbour rarely admits that he dropped his price!
- (4) Don't view your own house through rose-tinted spectacles because it is yours.

Perhaps the easiest way to get a good idea of the market value of your house, is to ask an estate agent. But he should be reliable and experienced and should specialise in your area.

Your dream house could turn into a nightmare

WITHOUT doubt, the most commonly made property investment is that of buying one's own home. Understandably, but sadly, however, few residential property buyers seem to pay more than lip service to the full investment potential of their home purchase.

Subjective issues tend to take over.

Drawback

So, for example, the average buyer seems to disregard the fact that he will probably, if he follows the South African average, not live in his new home for more than seven years. He will, in a surprisingly short time, find himself cast no longer in the role of buyer, but in the far more difficult one of seller.

It is all very well to buy

your own special kind of dream house, but if you are something of a nonconformist, you had better recognise that the quaint features that so attracted you could, if they do not appeal to the average buyer, be a distinct drawback when you come to sell.

Recognise, too, that selling often has to be done rather rapidly because one has been transferred by one's employers.

Better, if promotion and transfers loom anywhere on your career horizon, commit your taste for the unusual and try to buy the sort of home that most other people would want to own. It will prove much easier to sell and, not surprisingly, will prove, in purely financial terms, to be a far better investment.

Similar arguments apply to any extensions that you

STAR 2
29/2/92
FOOTSTEPS
TO FORTUNE

RICHARD
Chamber

123



might contemplate because, in an era of very high building costs, it is obviously easy to overcapitalise. Equally disastrous, can be the consequence of over-enthusiastic do-it-yourself alterations; inept alterations can substantially detract from the value of a building.

So if you are buying or building, do pause to ask yourself whether there is ANY chance that you might be obliged to sell soon.

Furthermore, do not wait until you have signed on the dotted line before calling in a builder to give you quotes on the costs of any renovations and alterations you might have in mind. You might be in for a nasty shock if you do not.

If the sort of changes that you contemplate could involve the submission of plans, then it will pay you to get in an architect before you sign. Even if you

have to pay a fee for a professional opinion, it will be worth it if the consequence is to save you from getting locked into a deal in which you cannot afford to make the renovations you would like or, alternatively, will find yourselves in a grossly overcapitalised situation if you decided to disregard the price and go ahead anyway.

There is fallacious view that inflation comes to the rescue of foolish property investors. It simply is not true. Though the sums you paid for those additions, and for the house itself, will appear to dwindle rapidly in magnitude as the years progress, the realistic view is that the prices of all other properties are rising more or less in step with yours.

If you chose well in the first place, had to invest little in improvements and are contemplating a move

to a similarly fashionable suburb in another city, you could well profit on the deal.

But, recognising the leverage example which I mentioned last week, you should be well assured that if you make a poor initial choice, the probability is that there will be a gearing effect working against you, holding back on the inflation-compensating rise of your own property values and accelerating the rise of those properties, the owners of which did their homework properly in the beginning.

In other words, you could well find that the longer you are saddled with a poorly-chosen property, the worse off you will be.

To illustrate, let us assume that there are two houses available to you, each priced at R100 000. Let us also assume that over the next 10 years, the inflation

rate averages 15 percent a year. Let us further assume that the "way out" house you decided to buy suffered a growth penalty of about 1 percent each year and that the very ordinary "popular choice" house enjoyed a growth benefit of about 1 percent.

Drawback

Project the consequences and you will be really surprised at what happens to the overall value. Project the geared effect upon the money you actually laid out and you might be devastated.

Growing at 16 percent a year the "popular choice" house will rise in value to R441 143 in 10 years while the "way out" house will grow to only R370 772. The price of indulging your whim: R70 421.

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All models are fitted with the Procon-ten safety system

have been sold worldwide.

About 2200 are sold each year in SA.

House loan lifeline

STANDARD Bank has launched an insurance policy to at alleviate the effects of retrenchment on home owners.

The plan provides cover if the borrower is retrenched from full-time employment or if his company closes.

The policy is available to those aged between 18 and 55 who have been with the same employer for a year and earn at least R2 000 a month. They must also have a Standard Bank home loan.

Stimo (Buss) 11/3/92

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STIMO (Buss) 11/3/92

- arrange National Games in co-operation with the Confederation; and
- perform ~~such~~ other functions as may be entrusted to it by its members;

Currently it is one of the members of the National Olympic Committee of South Africa.

- (2) The names of the bodies are as above.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Dwelling units owned/managed/subsidized by Department

Mr R V CARLISLE asked the Minister of Housing and Works:

- (1) How many dwelling units were owned, managed or subsidized by his Department as at the latest specified date for which information is available;

- (2) whether he intends to make these units available to all South Africans; if not, why not; if so, on what basis? B475E.INT

THE MINISTER OF HOUSING AND WORKS: Mr Speaker, the number of dwelling units referred to in the question was approximately 25 000 as at 31 December 1991. These dwellings comprise 8 000 units erected, owned and managed by the Department of Local Government, Housing and Works and 17 000 units erected, owned and managed by local authorities and utility companies. These dwellings are funded and subsidised by the Development and Housing Fund.

The wrong perception that there is no housing shortage in respect of the White community may lead to the incorrect assumption that this housing stock is more than adequate to meet the needs of this community. It must, however, be pointed out that recent surveys conducted by the Development and Housing Board and the Robson Working Group on the Poverty Problem amongst Whites established that there was a housing need for 104 000 poor White families.

HOUSE OF ASSEMBLY

The latest surveys by the RSA Database Markets indicated that 60% of White families in need of low-cost housing were earning less than R2 000 per month. It is therefore an established fact that we have a critical housing shortage in the White community at present.

Be that as it may, it is common knowledge that the Group Areas Act has been repealed. Should a housing project financed by the Development and Housing Board no longer be required or not be fully occupied by members of the White community, I would therefore be prepared to consider making such a project, or units therein, available to members of other population groups. The admission procedures in respect of housing schemes under the control of local authorities and utility companies must be applied in the same manner, and they have already been informed accordingly.

We realise that something urgent must be done to alleviate the serious housing problem within the shortest possible time. The Department of Local Government, Housing and Works, in collaboration with the Development and Housing Board, is at present investigating the feasibility of disposing of certain properties owned by it and unsuitable for welfare or family housing in order to generate additional funds to address the need for further low-cost housing.

It is also investigating the net present value of outstanding loans in respect of certain housing projects with a view to the redemption of these loans. Should this exercise be feasible, the Development and Housing Fund will receive a substantial inflow of additional capital.

Private sector organisations have also been approached and have shown an interest in becoming involved in the provision of low-cost housing. Discussions will be held with local authorities with a view to obtaining their support for the utilisation of their surplus housing fund reserves to erect low-cost housing in their areas of jurisdiction.

If this action proves successful, it will reduce the need to make additional demands for funds from the Treasury to provide low-cost housing for the White group. [Time expired.]

Mr R V CARLISLE: Mr Speaker, the hon the Minister has drawn our attention to the shortage of housing for Whites, and it is precisely for that reason that I have raised this matter. There is a

shortage, a very serious one, and it is very disturbing to hear the Government's approach to alleviating this shortage.

I want to make three points. The first is that the provision of housing in South Africa is absolutely fragmented. It is fragmented with regard to the Budget, in that there are five different Votes which provide for housing in South Africa, or nine, if one include the provincial Votes. It is fragmented from the point of view of statute, in that there are 16 different Acts which govern the provision of housing. It is fragmented from the point of view of agencies supplying housing, in that we have Development Aid, Development Planning, own affairs, SADT, the SA Housing Trust, the Independent Development Trust, etc.

Secondly, the provision of housing remains on a racial basis. I hoped that we would hear something from the hon the Minister today to indicate that it was not so. All he said was that, given the shortage of 104 000 units for Whites, if one unit should become available by some strange chance, he would be prepared to make it available on a non-racial basis. That is nonsense. That is White housing. The point I want to make is that the provision of services on a racial basis is detrimental to Whites. The absence of an overall policy of housing, subsidised and otherwise, has greatly contributed to the housing problems we have.

I want to put it to the hon the Minister and his colleagues that there is no housing policy in South Africa. There is a nonsense, a shambles, a scrambling for budgets used in all sorts of ways, a duplication which wastes the taxpayers' money. At the end of the day there is just a growing shortage of houses in every sector and for each race group. One cannot provide housing rationally on a racial basis. Race may be a criterion, but there are much more important criteria.

The net result of all of this is the misery of people—the forgotten people of our society—who have nowhere else to go. In Cape Town and elsewhere the shortage of such accommodation for so-called White people is reaching crisis proportions. The problem has been accentuated by the deregulation in all respects of the protection of these people, except for the protection in respect of race, which is no protection at all. In fact, it is a disadvantage. The principal victims of this are old people and single parents who live in

conditions of anxiety and fear, which is a disgrace to all of us. [Time expired.]

*Mr H J COETZEE: Mr Speaker, it is clear that the hon member for Wynberg has put the question that reflects his thinking, which is that the Cape Liberals wants to discriminate against the Whites. [Interjections.]

They entrench themselves by putting such a question. They are expelling poor Whites from their living space. The purpose of the question was . . . [Interjections.] I am pleased that the hon the Minister did not simply say that he would make all these houses available—he did qualify why he was going to do this—but that essentially he also said that people of colour could have them. It is amazing that he is prepared to do this.

I want to ask the hon the Minister and the hon member for Wynberg whether they know exactly who occupies those houses. Do they know exactly what the requirements are for somebody to occupy them? How does such a person qualify? A person earning less than R1 000 per month has to have children to be able to live in them, otherwise he is not permitted to do so. If one of the parents dies, the other has to move.

The former State President said that everything would be done to help the poor. The present hon State President and the Cabinet say destroy them; they are a burden and an embarrassment to us. Over the past three years the Government has made more than R3 billion available for Black housing. Nevertheless the hon the Minister bewailed his lot this afternoon in connection with all the money that was required for White housing. What is he doing about this? Nothing, because the Government has turned its back on the Whites. It is amazing that the hon the Minister said that. I consider it a disgrace and further proof that the NP has turned its back on the Whites.

The Government was quick to threaten pensioners and tell them that they would lose their pensions if they did not vote Yes. Say this today . . . [Interjections.] I ask the hon the Minister today whether they are going to throw open old age homes. He must tell us this today. Is he going to throw open the various houses that are required. [Time expired.]

THE MINISTER OF HOUSING AND WORKS: Mr Speaker, I would just like to complete my initial answer. The actions I have

HOUSE OF ASSEMBLY

described will have the beneficial result that more funds will become available for the provision of low-cost housing for other groups.

In reply to the hon member for Wynberg I want to say that due cognisance will also be taken by the Department of Local Government, Housing and Works of the De Looer Report and its recommendations in order to address the country's housing backlog *in toto*.

We are aware of the serious problems as far as housing in this country is concerned. It is a very big problem. The hon member referred to the fragmentation in the provision of houses. This is one of the things that the De Looer task group is taking cognisance of and is addressing.

The hon member also said there is no housing policy. I do not agree with him. There is one. However, these questions are addressed by a representative committee that has been appointed 18 months ago. Its report is nearly completed. As soon as possible it will be in the hands of my colleague the hon the Minister of National Housing, who will then consider the matter. Then the Cabinet will take certain decisions in this regard. Therefore I want to assure the hon member that we are aware of the housing problems of this country.

We have great sympathy with people who do not have houses, and it is one of our highest priorities that every person in this country should be in possession of a house.

* I should like to return to the hon member for Middelburg. He made his speech too late. He should have made it before 17 March. Now the referendum is over, however. [Interjections.] The hon member said we did not know who occupied all these houses. We do know. [Time expired.]

Mr D H M GIBSON: Mr Speaker, the hon the Minister knows that I have a very high personal regard for him. He will therefore forgive me when I tell him that I discovered today, to my surprise, that he is the Minister of Housing. I asked my colleagues around here, and nobody knew who the Minister of Housing was. [Interjections.] That does not necessarily mean that I am ignorant. What it probably means, and what is more likely means, is that this hon Minister has made no impact whatsoever with regard to housing since he was appointed. [Interjections.]

report, there will be another commission to look at how we can tie it in. [Time expired.] (123) that they obtain accommodation. [Interjections.]

*The MINISTER OF HOUSING AND WORKS: Mr Speaker, I first want to finish dealing with the hon member for Middelburg. That hon member made the statement that the present hon State President said: "Destroy them; they are an embarrassment to us." I want to tell the hon member that this is completely untrue and that the hon member is guilty of making a disgraceful remark. There is no basis for it, and I am telling the hon member this.

The hon member also said that the NP had turned its back on Whites. This is just as much of an untruth. [Interjections.] This is the greatest nonsense that one could think of. [Interjections.] The hon member also said the NP had threatened pensioners. This is an untruth too! Those hon members went about telling lies to old people with the stories that they told them! [Interjections.] I withdraw that, Mr Speaker! [Interjections.]

*Mr J H VAN DER MERWE: Mr Speaker, the hon the Minister said "those hon members" and pointed at my colleagues.

*The MINISTER: I withdrew that, Mr Speaker!

*Mr SPEAKER: Order! The hon the Minister has already withdrawn his statement. [Interjections.] The hon the Minister may proceed.

*The MINISTER: They told old people stories that were not true. [Interjections.]

I do not know where the hon member for Yeoville was. [Interjections.] The hon member for Wynberg who is sitting there said we were not doing anything. [Interjections.] I am only responsible for housing for the White group in this country, not for people of colour! [Interjections.] The hon member had better take a look at this. [Interjections.]

I gave hon members the facts. They should just read my statement again. [Interjections.] Those hon members should just read my statement to see what we are doing to collect money and funds to help these groups which are experiencing a great crisis.

I want to say again that we have the utmost sympathy with all the people in this country who do not have a home. [Interjections.]

We are doing everything in our power to ensure that they obtain accommodation. [Interjections.]

Debate concluded.

QUESTIONS

Indicates translated version.

For written reply:

General Affairs:

Crime/political violence in Pietermaritzburg

31. Mr R F HASWELL asked the Minister of Justice:

- (1) How many persons were charged with (a) murder, (b) assault, (c) public violence, (d) attempted murder, (e) culpable homicide, (f) arson, and (g) illegal gathering, related to political violence in the Pietermaritzburg magisterial district in 1990;
- (2) in respect of each of the above categories, how many of those charged stood trial in a court of law?

B93E

The MINISTER OF JUSTICE:

(1) and (2). It is not necessarily recorded at criminal proceedings whether a crime is related to "political violence" or not. The required information is therefore not available.

Pietermaritzburg: persons convicted/acquitted

32. Mr R F HASWELL asked the Minister of Justice:

How many persons were (a) convicted and (b) acquitted of (i) murder, (ii) assault, (iii) public violence, (iv) attempted murder, (v) culpable homicide, (vi) arson, and (vii) illegal gathering, related to political violence in the Pietermaritzburg magisterial district in 1990?

B94E

The MINISTER OF JUSTICE:

It is not necessarily recorded at criminal proceedings whether a crime is related to "political violence" or not. The required information is therefore not available.

**24 000 SERVICED PLOTS UNUSED
AS MILLIONS WAIT FOR HOUSING**

Labour's legacy of waste exposed

S/Times (M) 11/3/92

By **NORMAN WEST**
Political Reporter

THERE is a crippling shortage of housing, yet 24 000 serviced plots worth R300 million are lying unused, it has been disclosed.

The new Minister of Local Government and Housing in the House of Representatives, Mr Cecil Herandien, said yesterday this was "nothing short of a scandal".

This was "one of the many headaches" he had inherited from the former Labour Party-run Ministry of Housing, headed by Mr David Curry, he said.

He conceded the government was short of funds, but insisted that if the previous administration had done more "it could have secured funds from the devil if necessary. This I intend to do."

Miracles

Mr Herandien said he was "engaged in serious negotiations" with the government and the Independent Development Trust, led by Dr Jan Steyn, for some of the R2 billion earmarked for housing development to be channelled to his department.

"I do not wish to raise false hopes that I can work miracles in the short time before the demise of the tricameral Parliament, but I have a dream to put as many families as possible on to those plots — even if only within four walls and a roof."

"If we could provide them with basic structures, they could add to these with a minimum of red tape."

"The most basic structure is better than a plastic-and-cardboard shack."

"I have inherited a scandalous housing backlog from the Labour Party administration and intend to move heaven and earth to get as many homeless people as possible on to those 24 000 empty plots."

Mr John Hopkins, Deputy Director of Housing, agrees with Mr Herandien that the backlog of housing for the coloured community could be eased significantly.

Tshabalalalas blaze trail of triumph

IT was a day the Tshabalalalas will not forget.

The Ford Peninsula marathon from Green Point to Simon's Town yesterday had two important points of discussion — the performances of Isaac and Sam Tshabalala.

First, Isaac, 31, fired on all systems to crush a field of 4 000 entrants and win by more than three minutes, the equivalent of half a kilometre, in a time of 2:14:12.

Sam, 29, the 1989 Comrades winner, made his first appearance in a competitive event since the horrific car accident that saw him moved into an Addington Hospital, Durban, ward which people describe as "next to death". He came in at 2:47.

Isaac has his sights set on next month's national championships and on Barcelona, while Sam is preparing for the 1993 Comrades.

Although not related, the Tshabalalalas do have one thing in common — running and winning.

□ See Back Page

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SUNDAY
to Sunday
SPORTS

"I do not wish to raise false hopes that I can work miracles in the short time before the demise of the tricameral Parliament, but I have a dream to put as many families as possible on to those plots — even if only within four walls and a roof.

"If we could provide them with basic structures, they could add to these with a minimum of red tape.

"The most basic structure is better than a plastic-and-cardboard shack.

"I have inherited a scandalous housing backlog from the Labour Party administration and intend to move heaven and earth to get as many homeless people as possible on to those 24 000 empty plots."

Mr John Hopkins, Deputy Director of Housing, agrees with Mr Herandien that the backlog of housing for the coloured community could be eased significantly if the 24 000 unused serviced plots in the country were sold.

He said the plots, priced from R8 000 to R16 000, had been financed with House of Representatives loans for low-income earners.

Disuse

Local authorities owned more than 90 percent of these properties, which were to be sold to individuals who qualified for state-subsidised housing.

Mr Hopkins appealed to all authorities concerned to develop properties like these in the best way possible to benefit the community.

"More than R300 million in capital is tied up in these properties, which are not being developed further because state funds for low-income housing have dried up."

If the plots were not developed soon they would fall into disuse, Mr Hopkins said.

Certain banks and building societies were prepared to provide small loans for the purchase of these sites and a basic starter home.

Improve

A breadwinner who earned less than R2 000 a month, and therefore was not in a position to be helped by banks, could apply to the local authority to buy a plot on special terms, Mr Hopkins said.

He urged local authorities and management committees to relax building regulations to allow self-help builders to begin with a modest structure that could be improved within a certain period.

Some local authorities allowed self-help builders to occupy temporary shelters on their sites while building their homes.

Mr Hopkins said prospective buyers should contact their local municipalities directly to find out about available sites.

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Join civic bodies - PAC

Sowetan 2/3/92

THE deputy president of the Pan Africanist Congress, Mr Dikgang Moseneke, yesterday urged members of his organisation to join civic associations or form theirs in cases where it was not possible.

Addressing a service to commemorate the death of the PAC's founder, Mr Robert Sobukwe, at Regina Mundi Church in Soweto, Moseneke said struggles were won "on the ground."

"We should find out why people live in shacks, why they pay high rent and

By MOKGADI PELA

why the transport system is not proper. These issues can only be addressed within civic bodies," he said.

Turning to the Convention for a Democratic South Africa, Moseneke said the forum was similar to the Native Representative Council of the 40's.

He said those who served in the NRC of the 40s and those in Codesa believed "it's possible to destroy the system from within."

Funds for housing

CF 3/3/92

(123)

By MAGGIE ROWLEY
Property Editor

MILLIONS, if not billions of rands in pension and provident funds are expected to be channelled into home loan finance initiatives from mid-year.

This follows two years of representations by financial institutions and pension fund schemes for exemptions from certain regulations governing Deposit Taking Institutions and pension funds.

The two leaders in the field, Old Mutual and the Perm, expect to be given the final go-ahead shortly. Both companies have spent the past two years getting their administrative systems in place.

Old Mutual, together with the Urban Foundation, have devised a scheme for members of Old Mutual pension and provident funds whereby they can borrow enough for a 5% deposit on a house as soon as the sum is covered by the member's contributions.

The scheme is specifically geared at those earning between R800 and R1 500 a month with the value of the house not exceeding R48 000.

While access to pension and provident fund monies have been available in the past for buying or renovating a home, no sooner had the loan been

Billions of rands to be channelled into home loans

made then the borrower had to start repayments.

Under the Old Mutual initiative, borrowers will be granted a moratorium of up to 10 years before they have to start repayments of the loan enabling the member's wage or salary to increase to a level at which he can afford to make the loan repayments and also keep up his bond repayments. The total sum of both repayments will not exceed 25% of the member's pay.

During the moratorium period, the member will be able to continue to borrow against monthly pension fund payments to help finance his bond repayments at a financial institution.

Members taking part will retain the full value of their retirement benefits if they keep up repayments until the loan is repaid once the moratorium is over.

Theoretically, members of the funds not making use of the loan scheme will not subsidise those that do.

Brian Peck, manager of the Perm's salary-linked initiative, said their primary stumbling block had been the vehicle to be used for the scheme.

However, the Reserve Bank had published "an enabling exception" in January this year.

"Because of this, exemptions we needed under the Usuary and Pension Funds Act had to be put on a back burner for a while, but we expect the scheme to get off the ground in the second half of this year."

The essence of the Perm initiative is also to mobilise Pension Fund monies for home finance. Under their initiative, Pension funds would make investments through the vehicle to provide the finance for consumers to purchase their homes.

Consumers will contract to pay a fixed percentage of their wage or salary per month for the period of the agreement. In this way the borrower's initial payments are low and increase along with his salary over the years until the contract is concluded.

If the consumer was earning R1 000 a month, his monthly payments at 17,5% of his salary would be R175 on a R42 000 advance against R700 or so on a bond with a financial institution, said Peck.

He said the scheme offered a new investment instrument for pension funds which provided them with a salary-linked investment escalating over time.

In order to spread the risk exposure for funds, the scheme would not be limited to low income earners, he said.

A spokesman for the Registrar of Pension Funds said that they had received submissions from pension funds for bond-related schemes to be exempt from certain conditions relating to the Act and these had been approved.

Hennie Breyl, Director of Trade, said they were presently investigating two submissions from financial institutions for exemptions under the Usuary Act in this regard and were in the process of submitting them to the Minister of Trade and Industries.

By MAGGIE ROWLEY
Property Editor

Developers hit by drop in

ONE out of four developers and contractors had gone under in the past three years due to the recession and the limbo in the delivery of low cost housing, according to Johan Grotsius of the National Association of Homebuilders (SAHT).

He said those that did remain had either scaled down their operations considerably or diversified out of the industry.

Johan de Ridder, general manager

of development at the SA Housing Trust, said 17 of the 45 house building companies associated with the SAHT and employing 10 000 people were on the verge of closing and warned that the industry's long-term capacity to deliver homes was being destroyed.

"The full ramifications of this is disaster down the road," he said. The SAHT has been highly active in

the provision of black housing on a commercial basis throughout SA.

However, the absence of available finance at the lower end of the home loan market has seen the SAHT's delivery rate drop 50% in the passed six months.

"We are now delivering about 550 units per month against an average

age of 1 000 a year ago and the rate of delivery is continuing to drop."

Until recently, he said, the SAHT had provided delivery of about 60% of the total under R35 000 market.

"And while our numbers have fallen off, our delivery now constitutes about 80% of units coming

low-cost housing

CT 3/3/92 (123)

on stream throughout the country in this bracket."

He said it had become increasingly difficult to obtain loans below R35 000 and the SAHT's long-term financing division Khayalethu Home Loans, which provides finance to buyers within some of their projects, was rapidly running out of funds. While they are involved in eight

IDT contracts, the SAHT's conventional shelter operations was falling off rapidly.

The SAHT, he said, has suspended all activities in Khayelitsha and in the Western Cape because of bond boycotts and subsidy distortions in the marketplace but still has about 4 000 stands available in the area.

"There is a 24 months delay time of

getting large projects off between 1 500 and 2 000 units off the ground.

"And because of uncertainty about future government of housing policy and subsidy scheme, there have been no major new projects started except for IDT ones as developers could not plan with any level of certainty and against a backdrop of enormous abnormal socio-politically related risks.

"Because of this breakdown it will take years before we recover to previous levels of delivery."

PROPERTY

Political uncertainty causes drop in demand

3/Day 4/3/92 (123)

Reports by
PETER GALLI

UNCERTAINTY about future political developments has caused a drop in demand for residential property, but agents differ on the extent of the decline.

Aida Real Estates chairman Aida Geffen says some people who were about to make an offer for a property withdrew when President FW de Klerk called the referendum.

"There are less buyers on the market than ever before.

"This situation is not expected to improve markedly even if there is a yes vote as people will still wait for other developments," she says.

The wait for the outcome of Codesa is an inhibiting factor, and the market is expected to remain depressed for at least another year, she adds.

Should there be a "no" vote, the bottom would fall out of the market

as there would be a glut of sellers and very few buyers.

Seeff O'Riain Transvaal MD Bernard O'Riain agrees with this, but says this will only be a short-term situation as people will still want their own homes.

His group has seen a slight reduction in buyers and showhouse visitors, but nothing of any real note. The reason for this is twofold, he says.

"Firstly, there are those who believe prices are depressed and now is the time to pick up bargains. Secondly, there are those who want to own property despite political factors."

The drop-off in activity is being felt mainly in the Johannesburg area and in the upper market range above R800 000. The market under R400 000

is less affected, he says.

"People who would normally want to upgrade their homes are now buying at the same level or at a lower price, to minimise their risk. This trend will, however, filter down to the rest of the country," she says.

O'Riain says there is a volatile upper market, but deals are still taking place. While there is a difference between what the seller wants and the buyer is prepared to pay, the sellers are tending to drop their prices.

SA Property Owners Association (Sapoa) executive director Brian Kirchmann has called for a "yes" vote on March 17.

"Sapoa believes in the inalienable right of all South Africans to own property in a free market system." The continuing dialogue on SA's future was one of the ways this could be assured.

4/3/92

123

or diversify out of the industry.

As far as can be ascertained, there is only one private sector developer, Plan Trust, still operating in the Western Cape in the low-cost housing market.

A spokesman for Plan Trust said it was building a handful of houses a month but lack of access to home loans and affordability was curtailing operations radically. (Another developer, Faircape Homes, is also still operating in the black housing market but at the middle income level.)

built in 1991. And the outlook for 1992 is even bleaker.

According to the Lindelethu West City Council, it passed only 20 plans for homes in Khayelitsha in January this year against 58 a year ago and 82 in January 1990.

Wouter Loots of the LWCC said an additional 24 plans had been passed by the CPA for Khayelitsha in 1990 and 27 in January last year. However not one plan was passed by the CPA in the first month of this year.

The only real activity

and the first sites are now coming on stream.

Nuttall said the present allocation would be able to fulfil about 10% of the housing needs of people with dependants earning less than R1 000 a month and all present funding "should be in the ground" by March next year.

The IDT, he said, had made urgent representation to the government for further funding so as not to create a vacuum in the delivery of serviced sites.

"But I suppose the first indication we will have will be in the March 18 budget."

Privilege

However, the capital subsidy scheme has come under fire from other developers holding land near IDT projects.

They argue it has created islands of privilege and as such is bound to create confusion and political tension in certain areas.

In addition neighbouring developers claim they have not been able to sell off their developments as buyers were not prepared to pay for a site when others were getting them for free across the road.

Nuttall said, however, they believed the capital subsidy scheme, while not being the only route one could go, was a tried and tested measure which had had great success.

The largest of the Western Cape IDT projects is for 4 100 sites for the Western Cape United Squatter Association in Khayelitsha.

But this is only a drop in the ocean of need, says Conrad Sandile of Wcusa.

According to Wcusa an estimated 750 000 people are living in informal housing on the Cape Flats. The demand for serviced sites in Khayelitsha alone he estimates at more than 30 000 with an additional 56 000 required at Crossroads and its environs.

He said: "As a first step squatters needed immediate relief in the form of serviced sites if the situation of violence, frustration and uncertainty in informal settlement areas is not to deteriorate further."

4/3/92

MAGGIE ROWLEY
Property Editor

THE long-awaited De Loor Commission report into the provision of housing in South Africa is expected to be presented to government this month.

However no quick fix solution for low-income housing — which is wallowing in a state of limbo — can be expected.

The chairman, Dr Joop de Loor, said in an interview that the report, which had been expected to be released last year, was close to finality and he would be meeting the National Advisory Committee in Cape Town on March 17.

The report and the committee's feedback would then be forwarded to the Cabinet.

The 12-member De Loor commission of inquiry has been sitting for 14 months and much time, money and thinking had gone into the voluminous report, said De Loor.

It has been hoped generally that the report would identify a centrally managed, co-ordinated approach to meet the needs for shelter of SA's homeless and shed some light on what sort of state subsidy scheme would be implemented.

However, De Loor said it was unlikely that any of the recommendations would be implemented until an interim government, at least, was in place, as extra-parliamentary groups would have to be widely consulted before a new housing policy was decided on.

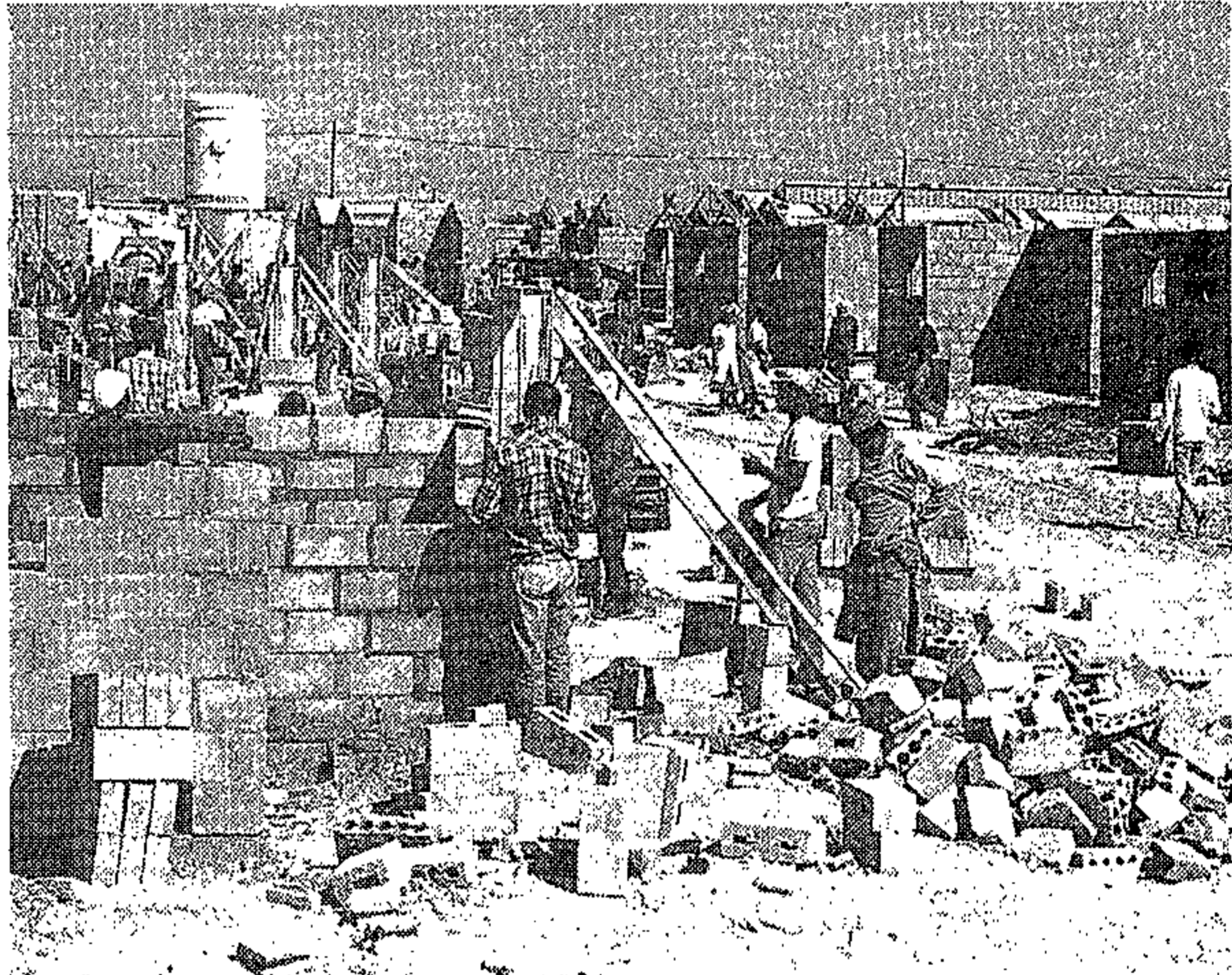
Withdrawal

He said: "We tried doing so but with very little success. They were not prepared to participate because they had not been party to the formulation of the brief."

De Loor said they were

No quick fix to providing low-income housing

CF 4/3/92 (123)



GROWTH POINT ... According to Conrad Sandile of Wcusa an estimated 750 000 people are living in informal housing on the Cape Flats. The demand for serviced sites in Khayelitsha alone he estimates at more than 30 000 with an additional 56 000 required at Crossroads and its environs.

not offering a solution as such but rather a working document or starting point for further discussion.

Meanwhile the delivery of low cost housing has all but ground to a halt owing in the main to bond boycotts and the consequent reluctance of financial institutions to lend into this market, high levels of township violence, lack of a coherent housing policy and uncertainty on what new state subsidy scheme might be implemented following the De Loor Report.

The private sector has withdrawn from low income housing en masse. Many contractors have gone under and those that remain have scaled down their operations extensively.

And it is becoming clear that urgent interim measures will be needed until a new co-ordinated housing policy is in place if the housing crisis is not to deteriorate further and more developers are not to go under

Meanwhile the housing backlog countrywide continues to rise. The government puts the shortage of housing for blacks at 935 972 but others such as Time Housing, estimate it at well over 1.2 million units.

The Minister of Local Government and National Housing, Leon Wessels, said last week the shortage in the Cape stood at 238 205 units, 387 891 in the Transvaal, 238 205 in Natal and 73 991 in the Free State.

Bleak outlook

The government, he said, had provided 1 350 houses nationally in 1991 with 477 built in the Transvaal and the rest in the Cape and that it was the government's aim to provide shelter "for all South Africans" by the year 2000.

To do so, according to Time Housing, would require a minimum of 100 000 units a year but its statistics show that a total of only 18 050 low cost housing units was

in low-cost housing in the Western Cape is the provision of site and services, mostly through Independent Development Trust projects, but the IDT's funds of R750 m administered through its capital subsidy scheme are sufficient to meet only one tenth of the current demand.

Through the capital subsidy scheme, the IDT advances R7 500 per site to appointed developers on transfer to the individual.

A total of 108 IDT projects have been approved in principle, of which 13, comprising 9 000 sites in all, are earmarked for the Western Cape.

Of the 108 projects, 35 have been signed and sealed, according to IDT's Jolyon Nuttall. The Western Cape projects represent 9% of the national total with a value of R67.5m.

Nine of the Western Cape projects totalling 7 531 sites had already been given the go-ahead

SOWETAN FORUM

Building the Nation

Housing shortage tackled

THE private sector, the Government and all the negotiating parties in Codesa have been urged to set the necessary preconditions to making affordable housing a reality. *Sowetan 5/3/92*

In his annual report, the chairman of Anglo-Alpha, Mr Peter Byland, says the private sector is willing and ready to play an important role in solving the desperate shortage of affordable housing in South Africa.

Byland says this problem has continued to be of concern to the private sector because of the social implications of large numbers of homeless people.

Considering the benefits that housing construction would bring, the Government's lack of progress in providing or stimulating the provision of affordable housing is disappointing.

He says: "I believe that a large portion of the private sector is ready and willing to play its part. This is evidenced, for example by the fact that the cement industry has put together a scheme offering considerable financial assistance for affordable housing but has not yet found an authority able to translate this offer into action.

"A further problem arises in that although some land has been made available and suitable housing built thereon, as in the Orange Farm district, no financial institution is prepared to provide finance because of the high risk involved.

"While the successful efforts of local interest groups, such as the Middleburg Forum are laudable, this problem is widespread and requires the urgent attention of all political and civic leaders," he said.

Byland says agitators and promoters of rent boycotts need to ask themselves whether they have the support of the people. (123) ~~305~~ ~~333~~

He says: "I do not believe so and hope, with many others, that they can be prevailed upon to stop their adverse influence immediately and so help create a stable housing market.

"I would urge Government and all the negotiating parties in Codesa to make a concerted effort together with the private sector to set the necessary preconditions to making affordable housing a reality.

"The building and construction industry normally lags the rest of the economy by between six and 12 months, which indicates the worst is not over yet," says Byland.

Demand for the company's products, which include cement, stone and lime, declined by 10 percent on average when compared with 1990.

The continued recession together with the prevailing political uncertainty made attempts to accurately forecast very difficult, and he believes that under the circumstances, the results achieved were better than expected.

Big probe into homes rip-off

Sowetan
5/3/92

123 ~~27~~ ~~27~~

A MASSIVE investigation is to be launched by lawyers representing potential black home owners who have been allegedly ripped-off of hundreds of thousands of rands by "fly-by-night" property developers and contractors in Soweto.

This was confirmed to Sowetan Property by a spokesman who said that most of the would-be developers collected money from poor black families seeking low cost housing.

These people, the spokesman said, promised clients that they would build them homes after paying deposits ranging between R2 000 to R6 500.

They also promised possible home buyers that land was available in the sprawling township where new homes would be built at low prices.

Most of these alleged property developers and contractors attracted their victims by placing advertisements in newspapers serving the black community.

Predicament

They were apparently taking advantage of the acute shortage of homes in the country and exploiting that predicament in order to enrich themselves.

The spokesman said 12 of the clients have paid a total of R39 000 to a white property developer who has since disappeared.

Three other developers have allegedly collected more than R200 000; R60 000 and R20 000. The matter has been reported to the Estate Agents Board.

The spokesman said that the number of incidents involving the racket was increasing at an alarming proportion. "We are attending to almost 10 to 20 people a day," he said.

By JOSHUA RABOROKO

The investigations would include checking with the registrar of companies about the whereabouts of the culprits, and "if found out that the enterprise is illegal, appropriate action will be taken against them".

He declined to give further details because "we suspect they might run away and, some cases are *sub judice*," he added.

Home loans: Lending tight on low incomes

By MAGGIE ROWLEY

Property Editor

ONLY a return to the normal process of justice will allow financial institutions to resume lending into the low income housing market, says Tim Hart of the Association of Mortgage Lenders.

He said financial institutions had been scared off by situations where they were unable to repossess the asset, after buyers defaulted or refused to pay bonds.

Local authorities, he said, had contributed to the breakdown of the normal processes by not performing their proper role "either by not insisting or being unable to insist on payment for services, or rents.

"What is needed is for the government to restore

confidence in this market by assisting financial institutions in exercising their legal rights and for local authorities to be made to work. But this could mean we might have to wait for a political settlement to be in place," he said.

In the past year the private sector has withdrawn from the provision of low cost housing because the risks far outweighed the returns.

Some financial institutions, badly bitten by bond boycotts, have frozen any new lending into the low income housing market and say the status quo will be maintained until such time as there is a 100% resumption of bond repayments.

Kingsley Loney of the NBS, which had to make a R10m provision for bad debt mostly in the low cost housing market last year, said no new loans were

being granted in this market.

While some are still lending into the lower end of the market, they are being extremely selective about their client base.

Even attempts to reduce the risk exposure of financial institutions have met with limited success, partly due to the country still reeling under its longest post-war recession which has curtailed affordability, put disposable incomes under strain and many people out of work.

One such attempt — the Loan Guarantee Initiative, developed by the Urban Foundation in conjunction with the Association of Mortgage Lenders and now run by the Home Loans Guarantee Company — was launched last year with the objective of opening the R12 500 to R47 500 sector of the mortgage bond mar-

ket.

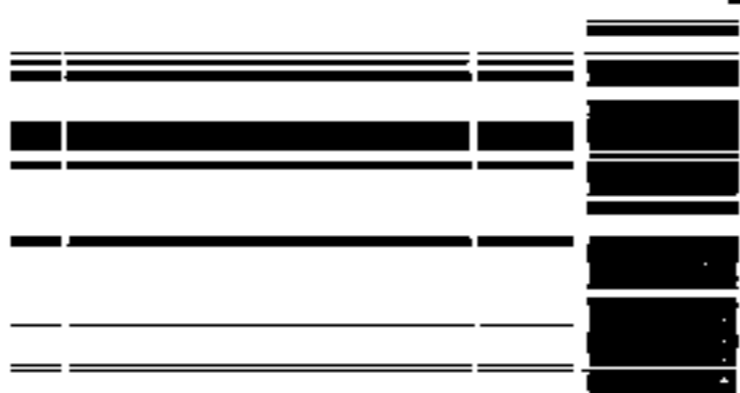
It effectively reduces the risk exposure of financial institutions from 95% to 65% through insurance to cover losses in the event of default by the purchaser and the sale in execution of the property.

Duncan McArthur, manager of the Home Loans Guarantee Company, they had received a total of 4 900 loans since the launch.

"Our initial projections were to facilitate loans of R10m over five years. To date we are running about 50% behind but considering the economic climate we have done satisfactorily."

General economic conditions have also slackened demand for the government's interest rate subsidy scheme for first time homebuyers, which is still administered by own affairs departments.

(123) CF 5/3/92



'Nuisance' law is toughened

CT 7/3/92

Political Staff

A NEW bill to give white local authorities the power to take effective action against nuisances in buildings and reduce the period for objections has been tabled in Parliament.

The Development and Housing Amendment Bill (House of Assembly) will give white local au-

thorities the power to prescribe fines of up to R2 000 or imprisonment of six months for contraventions of the nuisance regulations.

The period within which an owner can appeal to the Minister of Housing and Works in the House of Assembly Ministers' Council is to be reduced from 60 days to 21 days.

The amendments, which will

only apply to white local authorities, are in line with the three bills passed last year in place of the Group Area Act in terms of which neighbourhood residents were given powers to enforce certain norms and standards.

This approach was strongly criticised at the time by anti-apartheid groups. (123)

News by B Streek, 122 St George's St, Cape Town

Little relief for housing crisis

THE stalemate in the provision of low-cost housing has been highlighted in The Cape Times over the past week and the need for interim measures to relieve the crisis ahead of the implementation of a centrally managed and co-ordinated housing policy has become abundantly clear.

Hopes that such a policy would arise out of the De Loor Report have been dashed and according to commission chairman, Joop De Loor himself, at best the voluminous report will serve as a working document for broader consultation and discussion as extra-parliamentary bodies had not been party to the formulation of the brief.

It is generally conceded that until at least an interim government is in place, we cannot expect any firm housing policy to emerge which will lift low economic housing delivery out of its present limbo.

As Mike Oelofse of the Urban Foundation has pointed out, what the country is now facing is the result of years and years of ad-hoc measures to address the need for shelter compounded by the allocation of funds through numerous racially segregated departments.

One recent example of ad hoc implementation of policy was the government's move to channel money for low income earners through a capital subsidy scheme administered by the Independent Development Trust.

While there is much support from many quarters for such a scheme, the overnight shift in policy resulted in more than R200m in government money lying fallow in deteriorating serviced sites for low-cost housing.

John Hopkins, deputy director of housing in the House of Representatives, told the Cape Times last year that the move had resulted in at least 20 000 serviced sites falling under his department being mothballed.

A spokesman for the department said this week that they had advertised these sites countrywide last week



Property Perspectives

by MAGGIE ROWLEY

and people wishing to buy them could do so through the local authorities.

"Those earning below R1 200 a month will be given preference and their monthly repayments will be on a sliding scale according to income."

However, whether or not people will be prepared to buy a site when others are getting them for free under the IDT scheme, remains to be seen.

The private sector has also been badly bitten by the IDT move and many private developers are sitting with huge holding costs on large tracts of serviced and unserviced land opposite IDT schemes unable to sell them.

This problem at least needs to be addressed on an interim basis if more developers are not to go under and as such destroy the industry's ability to deliver homes to the country's homeless in the long term.

Another problem that needs urgent attention is the lack of available home loan finance. Financial institutions have become reluctant to lend into the low income market due to among other things bond boycotts and the increasing number of defaulters as a result of the country's longest post war recession.

The Association of Mortgage Lenders said this week that until such time as there was a return to the "normal process of justice" enabling financial institutions to at least repossess their assets under these circumstances, the risks were too great.

The National Association of Home-builders and others this week called for immediate interim measures to be introduced to avoid creating a vacuum in the delivery of low-cost housing.

123 CT 7/3/92

Lack of funds cripples cheap housing plans

STimes (CM)

8/3/92

By EVE VOSLOO

123

LACK of finance is crippling efforts to provide desperately needed low-cost housing in South Africa — and, with the Budget due later this month, two key figures involved in private-sector housing schemes have appealed to the government to make more money available urgently.

Their appeal follows an official estimate by the Minister of Local Government and National Housing, Mr Leon Wessels, that nearly one million houses were needed for black people outside the homelands alone.

Mr Wessels told Parliament that 235 885 houses were needed in the Cape, 387 891 in the Transvaal, 238 205 in Natal, and 73 991 in the Free State.

These figures do not include the estimated seven million squatters in South Africa.

Mr Rod McGillivray, head of Newcho Holdings — formed by the restructuring of housing utility companies in all four provinces formerly under the wing of the Urban Foundation — said money was urgently needed for mortgage bonds, capital subsidies and site and service stands.

"The capital subsidies provided by the Independent Development Trust can assist 100 000 families over two years," he said. "It is simply not enough. At least 200 000 families need to be housed every year if any progress is to be made."

Extra funding had to come from the government.

"It is ultimately the government's responsibility. We urgently need more capital subsidy, which will also stimulate private sector involvement," Mr McGillivray said.

His views were echoed by Mr N J de la Rosa, Chief Executive of Cape Utility Homes, which concentrates on building houses for R5 000-R45 000, for which people need to earn between R350 and R2 000 a month.

"People need homes. A sensible government must do something," Mr De la Rosa said.

He said most financial institutions were still reluctant to lend money to black borrowers because of the bond repayment boycott in which "they were burnt very badly".

"In some areas people are paying their bonds but the building societies just don't want to get back in."

Another problem was the "low affordability of the people", he said.

"Building costs are high. It is difficult to get something that comes into their repayment focus.

"The financial institutions see lending money to people in this category as a high risk with the same high administration costs as for a big bond. It is not profitable for them."

JOHANNESBURG. — The residential property market, showing signs of recovering from a three-year slump, will be hard hit by a "no" majority vote in the referendum.

And the Budget, to be presented to Parliament a day later on March 18, could well neutralise any positive impact a "yes" majority will have.

This warning came from Mr Ronald Ennik, director of Pam Golding Properties.

Mr Ennik said a negative Budget coupled with a "no" majority could be the final blow to the industry.

"Despite hinting at an upturn towards the end of 1992, the market could again be plunged into a downturn by the consequences of a 'no' majority and negative Budget".

Property boss warns: A 'no' could kill us

CF 9/3/92

(123)

Mr Ennik explained: "The international economy's perceptions of a 'no' vote will undoubtedly cause a tightening up of sanctions and greater restriction on foreign investment in South Africa.

"On the local front, a 'no' vote could herald a reversal of government policy and possi-

ble re-introduction of discriminatory laws such as the Group Areas Act.

"Possibly, the market will be flooded with new properties for sale as 'yes' voters disillusioned with the country's future prospects, look to emigrating. Both this increased supply and decreased demand will force prices downwards."

On the other hand, Mr Ennik said a "yes" majority and the confidence boost it will provide, could speed up the property market's long awaited recovery. — Sapa

Missing link in housing found

(123)

A new multiracial think-tank believes it has found the missing link in Western ideas about solutions to the black housing crisis — the close community spirit of African society that many planners have tended to overlook or under-estimate. The team plans to challenge Johannesburg to build a novel village to test new concepts, reports
MICHAEL CHESTER.

STAR 10/3/92

WHENEVER the experts hunched over an endless flow of facts and figures about the growing size of the black housing crisis, Walter Lloyd, the head of Building Project Innovations, always had a nagging suspicion that there was a missing link in the chain of logic about solutions.

The socio-economists had all the statistics at their fingertips, the homeless total now above the 7 million mark. The politicians used all their most forceful arguments in warnings about the consequences of failure to cure the shortage.

The builders voiced their frustrations, with construction work at a virtual standstill because of blockages in the flow of home loans, while the banks and building societies explained why it was all too risky to plough cash into low-income housing in view of waves of violence and bond boycotts.

"Somewhere, however, there was a crucial element that was missing," he says. "The missing link made all the talk so much hot air."

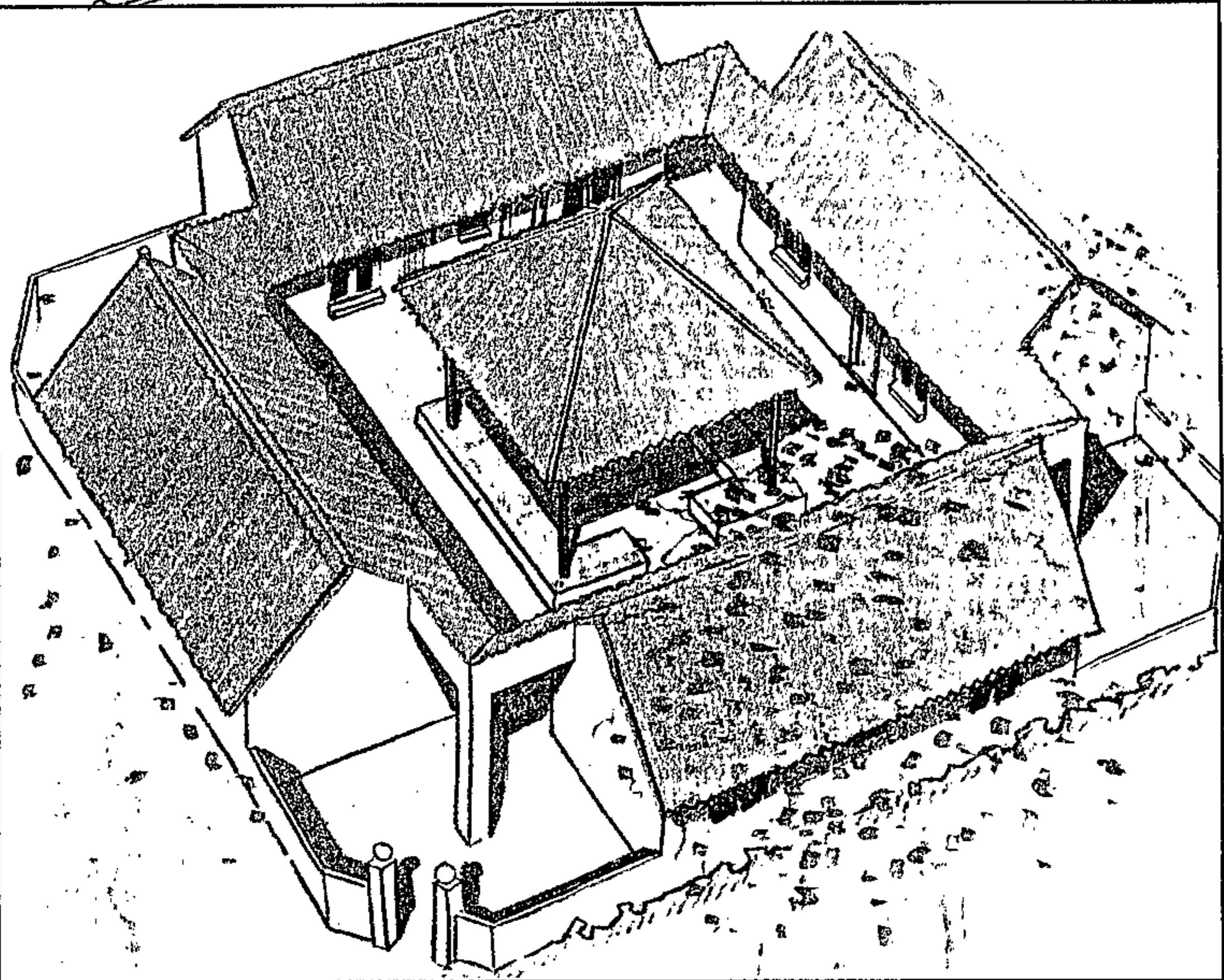
What was it? Where was it? He started the search by forming a special think tank at his research base at Midrand, bringing in experts from all the sources that might have clues — builders, architects, geologists, quantity surveyors, civil engineers, financial specialists — and, in particular, black business and community leaders.

"Mercifully, the issue of affordability had at last hit the agenda, so that was one vital issue that was better understood," he says. "It seemed for a moment that everyone had hit the nail on the head — until the conference tables became strewn with lay-outs of row upon row of match-box houses."

"Even the match-boxes began to shrink in size in a contest to cut costs to the bone, with little regard for threats of still worse over-crowding."

"The problem was that everyone was thinking about solutions in Western First-World terms: each house had to stand on its own, each unit fenced off, each family with its own mortgage to shoulder — or else face eviction."

"So the computers rattled out more print-outs about percentages of unemployment, wage levels, criteria for home loans on this or that amount."



Communal lifestyle . . . a typical cluster-home would accommodate an extended family of between 12 and 20 — with several breadwinners sharing the cost of homebond or rent payments on the R75 000 unit.

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"Even worse has been a trend to compromise and concentrate on trying to paper over the cracks with jingoism about turning 'squatter camps' into 'informal settlements'."

"However, our think tank reckoned it was now on the trail of the missing link. Finally — hey, presto."

"It should have been obvious all along: no one had bothered to ask the homeless families themselves how they visualised

the world go about the provision of housing for everyone?"

"It began a whole new stream of thinking," recalls Mr Lloyd. The team looked at the Middle East and examined the dense clusters of homes inside Arab villages, designed to cope with the desert heat, and the kibbutz system.

They looked at the Far East, including the famous long huts of Malaysia and Indonesia, built on stilts and shared by dozens of

Western ideas about housing solutions. Now we were able to put a new focus on the issue."

The results are coming through with a radical new look at solutions.

Says Mr Lloyd: "We have tried to turn away from European concepts about how South African communities of the future should look — and concentrate on how black communities want to be structured."

"With apartheid out the win-

"That is the role of the whole design of each unit, making a home for between 12 and 20 people — from breadwinners to babes in arms. The lay-out gives a feeling of closeness as well as security."

In another drawing, the unit was joined by dozens of similar units that make up a village population of about 4 000 and form a full-scale community.

"Take note," says Mr Lloyd, "that we are not only dealing with housing accommodation. We are talking about communities — in real African tradition. Everyone belonging. Everyone thoroughly enjoying every new dawn."

The think-tank planners have prepared more lay-outs. Now, with the housing units spread in a circle, the focal point is a vast communal area, fitted out with shopping centres, cinemas, church, bus and taxi ranks, sports and recreation facilities, schools, clinics . . .

The community joins real suburbia with a stake in the economic mainstream: close to the factories and offices — and jobs.

The final plans will be presented to a forum at which the Johannesburg City Council, the African Builders Association and the Civic Associations of the Southern Transvaal will be asked to join forces in taking on the challenge. □

"No one had bothered to ask the homeless families how they visualised their future home and neighbourhood. No one had properly taken into account the African traditions and cultures that create such a close community spirit."

their future home and neighbourhood. No one had properly taken into account the African traditions and cultures that create a close community spirit.

"Everyone seemed to know how many units were demanded. Yet hardly anyone asked the key question: what kind of new home was actually preferred?"

Mr Lloyd now gave the think tank a next brief: abandon pre-occupation with European notions and concentrate on an approach that was tailor-made to suit the South African sub-continent — its climate, its whole environment, its traditions, its cultures.

Research was tackled in global fashion. How did the rest of

families who enjoy gregarious living styles. They looked at South America . . .

"We looked at topography and climate, how communities made best use of local raw building materials, whether rocks, or timber, or mud, or grass. We looked at village planning — houses erected in a circle to enclose their grain stores or their cattle or sheep or goats. We looked at house designs, social habits, entire lifestyles."

"And then we turned to look deeper at the cultures, aspirations and the shape of family priorities here in South Africa."

"The exercise has blown away a lot of conventional

dow, we have also set out to visualise how black and white neighbourhoods can live side-by-side in absolute harmony — without friction and without resentment."

"We reckon there can be harmony — and lots to be learnt from one another about outlooks and aspirations in building a new society."

Mr Lloyd unveiled a drawing. It shows four small buildings arranged in a square, each facing towards an open patio in the middle to be shared by everyone. (See graphic).

"In Africa we have our own unique ideas about the 'extended family' that are far more important than outsiders realise."

Warrenton	Ikhuseng	Steytlerville	Vuyolwethu	100,00%
Winsorton	Kutlwano	Stutterheim	Cumakala	100,00%
Aberdeen	Thembalesizwe	Tarkastad	Zola	96,32%
Addo	Nomatamsanga	Ugie	Dyoki	100,00%
Adelaide	Lingelethu	Uitenhage	Kwanobuhle	84,43%
Alicedale	Kwanonqwakazi	Venterstad	Nozizwe	99,63%
Alexandria	Kwanonqulela	Willowmore		100,00%
Aiwal North	Dukathole			
Barkly East	Nkululeko	Information as at 20 February 1992.		
Bathurst	Nolukhanyo	Transvaal		
Bedford	Nuarha	Yes. (123)		
Burgersdorp	Mzomomhle	(a)		
Cathcart	Kati-Kati	Randfontein	Khutsong	71%
Cookhouse	Bhangweni	Randfontein	Kokosi	85%
Cradock	Lingelihle	Randfontein	Kagiso	39%
Despatch		Randfontein	Mohlakeng	3%
Dordrecht	Sinakho	Randfontein	Bekkersdal	17%
East London	Gempe Town	Alexandra &		
Elliott	Masibambane	Wesbank		
Fort Beaufort	Bofolo	Vanderbijlpark	Sebokeng	49%
Graaff-Reinet	Umasizakhe	Vanderbijlpark	Evanton (ou dorp)	40%
Grahamstown	Rini	Vanderbijlpark	Orange Farm	95%
Hankey	Umzamomhle	Vanderbijlpark	Pooritje	90%
Hofmeyr	Luxolweni	Vanderbijlpark	Boiteng	100%
Humansdorp	Kwanomzamo	Vanderbijlpark	Impumelelo	68%
Indwe	Mavuya	Delmas	Duduza	100%
Jansenville	Kwazamukucinga	Devon	Katlehong	95%
Jamestown	Masakhane	Nigel	Kwa-Thema	28%
Jeffreys Bay		Germiston	Nthorwane	10%
Kareedouw		Springs	Ratanda	60%
Kei Mouth		Greylingstad	Siyathemba	90%
Kei Road		Heidelberg	Tembisa	40%
Kenton-on-Sea	Marselle	Balfour	Tokoza	15%
King William's Town		Kempton Park	Tsakane	70%
Kirkwood	Ginsberg	Alberton	Attridgeville	15%
Klipplaat	Bontrug	Brakpan	Mamelodi	10%
Komga	Wongalethu	Pretoria	Zitobeni	2%
Lady Grey	Qumrha	Pretoria	Retabiseng	100%
Maclear	Kwezinaledi	Bronkhorspruit	eZamokuhle	93%
Maclear	Sonwabile	Bronkhorspruit	Kwathandeka	100%
Middelburg	Kwanonzame	Amersfoort	eMjindini	46%
Molteno	Nomonde	Amsterdam	Siyathuthuka	62%
Paterson	Kwazenzele	Barberton	eMzinoni	76%
Pearston	Khanyiso	Belfast	Kwazanele	67%
Port Alfred	Nkwnkwezi	Bethal	Silobela	78%
Port Elizabeth	Ibhayi	Breyton	Kwachibikuhle	100%
Port Elizabeth	Walmer	Corolina	Kwabela	93%
Port Elizabeth	Kwandwesi	Chrissiesmeer	Sakhelwe	37%
Port Elizabeth	Kwamagxaki	Davel	Kwazamokuhle	29%
Queenstown	Motherwell	Dullstroom	Wesselton	52%
Rhodes	Mlungisi	Hendrina	Lebohang	91%
Somerset East	Zakele	Ermelo	Silindile	100%
Sterkstroom	Kwanojoli	Leandra		
Steynsburg	Masakhe	Lothair		
	Khayamnandi			

Lydenburg	Masing	Ladybrand	Manyatseng
Machadodorp	eMthonjeni	Odendaalsrus	Kutlwano
Middelburg	Mhluzi	Reitz	Petsana
Morgenzon	Sivukile	Virginia	Meloding
Perdekop	Siyasenzela	Wepener	Qibing
Piet Retief	eThandakukhana	Allanridge	Nyakallong
Sabie	Simile	Arlington	Leratswana
Secunda	eMbalenhle	Bethulie	Lepholo
Standerton	Sakhule	Boshof	Seretse
Volksrust	Vukuzakhe	Bothaville	Kgotso
Wakkerstroom	eSizameleni	Brandfort	Majwemasweu
Witbank	Kwaguga	Clarens	Ngubanswana
Bloemhof	Boitumelong	Clocolan	Hloholwane
Christiana	Utlwanang	Cornelia	Ntswanatsatsi
Coligny	Tlabologang	Dealesville	Tswaraganang
Hartebeesfontein	Tigane	Dewetsdorp	Morojaneng
Klerksdorp	Jouberton	Edenburg	Ha-Rasebei
Koster	Reagle	Edenville	Ngwathe
Leeudoornstad	Kgakala	Excelsior	Mahlatswetsa
Lichtenburg	Boikhutso	Fauresmith	Ipopeng
Makwassie	Lebaleng	Ficksburg	Meqheleng
Orkney	Kanana	Fouriesburg	Mashaeng
Potchefstroom	Letsopa	Frankfort	Namahadi
Sannieshof	Ikageng	Harrismith	42nd Hill
Schweizer-Reneke	Agisanga	Hertzogville	Malebogo
Stilfontein	Ipetegeng	Hobhouse	Dipelaneng
Swarttruggens	Khuma	Hoopstad	Tikwana
Ventersdorp	Borolelo	Jagersfontein	Itumeteng
Witpoort	Tshing	Jacobsdal	Ratanang
Wolmaransstad	Rulaganyang	Kestell	Tlholong
Zeerust	Tsweleng	Koffiefontein	Dithake
Naboomspruit	Ikageleng	Koppies	Kwakwatsi
Louis Trichardt	Mookgophong	Lindley	Ntha
Warmbad	Tshikota	Margard	Moemaneng
Nylstroom	Bela-Bela	Memel	Zamani
Ellisras	Phagameng	Oranjeville	Metsemaholo
Messina-Nancefield	Marapong	Parys	Tumahole
Thabazimbi	Regorogile	Paul Roux	Fateng-Tse-Ntso
Roedtang	Thusang	Petrusburg	Bolokanang
Soekmekaar	Haasbult	Petrus Steyn	Mamafubedu
		Philippolis	Poding-Tse-Rolo
		Reddersburg	Matoporong
		Rosendal	Mautse
		Rouxville	Rweleyathunya
		Senekal	Matwabeng
		Smithfield	Tshepang
		Soutpan	Ikgomotseng
		Springfontein	Maphodi
		Steynsrus	Matwanglwang
		Theunissen	Masilo
		Trompsburg	Madikgetla
		Tweeling	Mafalaneng
		Tweespruit	Borwa
		Ventersburg	Mmamahabane
		Villiers	Qalabotjha

HOUSE OF ASSEMBLY

(b) Information with regard to guarantors is not available.

Orange Free State Provincial Administration:

(1) (a) Bridging finance up to 31 March 1991 R68 772 553
 Inter Governmental Grants from 1 April 1991 R8 634 969
 Total R77 407 522

(b) Phomolong (Hennenman) 174 888,15
 Thapelang (Van Stadensrus) 11 888,00
 Poding-Tse-Role (Philoppolis) 172 475,40
 Qibing (Wepener) 464 558,74
 Qhoweng (Reddersburg) 201 101,35
 Rammulotsi (Viljoenskroon) 185 251,79
 Seretse (Boshof) 164 976,64
 Thabong (Welkom) 23 281 860,27
 Thembahile (Vrede) 157 750,28
 Tswaraganang (Dealesville) 393 008,33
 Mmamahabane (Ventersburg) 178 179,92
 Tumahole (Parys) 4 065 452,94
 Tsepong (Verkeerdevelei) 46 439,95
 Zamani (Memel) 1 350,00
 Ratanang (Jacobsdal) 54 216,54
 Fateng-Tshe-Ntsho (Paul Roux) 105 994,00
 Bolokanang (Petrusburg) 112 167,75
 Rweleyathunya (Rouxville) 225 082,23
 Matwabeng (Senekal) 20 273,48
 Madikgetla (Trompsburg) 192 141,36
 Borwa (Tweespruit) 210 509,34
 Monyakeng (Wesselsbron) 162 793,53
 Tikwana (Hoopstad) 111 103,56
 Kuitwanong (Ondandaalsrus) 2 632 899,32
 Mashaeng (Fouriesburg) 59 560,79
 Tholong (Kestell) 27 435,82
 Bohlokong (Bethlehem) 1 559 883,47
 Manyatseng (Ladybrand) 42 166,43
 Metsimaholo (Oranjeville) 9 522,48

(2) What was the total amount outstanding per (a) province and (b) lender in respect of bridging finance to Black local authorities as at the latest specified date for which information is available;

(2) what was the total amount of guarantees in respect of loans and other finance provided to Black local authorities by each (a) province and (b) guarantor as at the above date?

B7E

THE MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Provincial Administration of the Cape of Good Hope:

(1) (a) and (b)

None.

(2) (a) R179 268 000

(b) Information with regard to guarantors is not available.

Transvaal Provincial Administration:

(1) (a) and (b)

None.

(2) (a) R368 389 170

(b) Information with regard to guarantors is not available.

Natal Provincial Administration:

(1) (a) and (b)

None.

(2) (a) R32 600 000

HOUSE OF ASSEMBLY

THE MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Cape Province

Yes.

	(a)	(b)
Dipelaneng (Hobhouse)	143 414,82	8,31%
Dithake (Koffiefontein)	884 425,84	8,78%
42nd Hill (Harrismith)	384 403,24	48,30%
Ha-Rasebei (Edenburg)	365 257,90	89,58%
Hloholwane (Clocolan)	159 653,64	100,00%
Ikgomotseng (Soutpan)	65 572,96	44,47%
Itumeleng (Jagersfontein)	848 578,37	55,56%
Ipoping (Fauresmith)	361 122,67	10,71%
Kgotsoeng (Bothaville)	7 632 270,11	30,34%
Lephoi (Bethulie)	424 781,79	0,00%
Leratswana (Arlington)	25 401,00	15,97%
Manguang (Bloemfontein)	13 608 678,35	56,98%
Maokeng (Kroonstad)	8 185 348,81	0,00%
Meloding (Virginia)	1 633 805,50	88,89%
Mafahaneng (Tweeling)	107 346,87	59,86%
Mahlatswetsa (Excelsior)	154 006,32	52,22%
Majwemasweu (Brandfort)	795 064,96	73,91%
Makelekela (Winburg)	62 046,36	98,28%
Malebogo (Hertzogville)	156 957,95	17,70%
Maphodi (Springfontein)	315 384,81	85,10%
Matlakeng (Zastron)	292 684,75	28,89%
Mautse (Rosendal)	8 486,53	46,67%
Mecheleng (Ficksburg)	2 989 026,12	54,46%
Moemaneng (Marquard)	45 291,54	96,65%
Mofulatshepe (Smithfield)	292 669,60	92,42%
Mokwallo (Vredefort)	102 203,70	51,65%
Morojaneng (Dewetsdorp)	783 154,83	34,57%
Namahadi (Frankfort)	271 031,38	66,90%
Ntswanatsatsi (Cornelia)	5 289,40	98,10%
Phiritona (Heilbron)	169 824,00	94,96%
Petsana (Reitz)	605 783,13	93,33%
Kwakwatsi (Koppies)	80 402,74	100,00%
Ntha (Lindley)	1 195,00	—
Qalabotjha (Villiers)	2 025,00	98,33%
Nyakallong (Allanridge)	500 000,00	40,00%
(2) (a) None		96,39%
(b) Information with regard to guarantors is not available.		99,36%

Electricity supply to Black townships

90. Mr P G SOAL asked the Minister of Local Government and National Housing:

Whether any housing units in Black townships have yet to be supplied with electricity, if so, (a) which townships are involved and (b) what percentage of Black housing in each specified region had not yet been supplied with electricity as at the latest specified date for which information is available?

HOUSE OF ASSEMBLY

Viljoenskroon	Rammulotsi	78%
Vrede	Thembalihle	73,1%
Vrededorp	Mokwallo	80%
Warden	Ezenzeleni	70,2%
Wesselsbron	Monyakeng	85%
Winburg	Makelekella	94%
Matlakeng	Zastron	75%
Van Stadensrus	Thapelang	100%
Verkeerdervelei	Thsepong	100%
Sasolburg	Zamdela	0%
Deneysville	Refengkgotso	85%

Information as at 24 February 1992.

Natal

Yes.

(a)

Vryheid	Bhekuzulu	20%
Kokstad	Bhongweni	83%
Moorivier	Bruntville	80%
Durban	Chesterville	0%
Paulpietersburg	Dumbe	97%
Dannhauser	Emafusini	100%
Greytown	Enhlalakahle	36%
Tongaat	Hambanati	0%
Mtati	Itsokolele	84%
Pinetown	Klaarwater	25%
Howick	Kwamevana	100%
Durban	Lamontville	40%
Cedarville	Mzingizi	100%
Stanger	Shakaville	78%
Umginto	Shayamoya	100%
Dundee	Sibongile	61%
Glencoe	Sithembile	86%
Pietermaritzburg	Sobantu	0%
Ladysmith	Steadville	70%

Information as at 20 February 1992.

SAP: personal weapons

92. Mr D H M GIBSON asked the Minister of Law and Order:

Whether personal weapons are issued to members of the South African Police Force; if so, (a) to which categories of members, (b) what weapons are issued, (c) what quality control is exercised before the purchase and issue of such weapons, (d) how often are weapon inspections carried out and (e) how often do members undergo firing-range training?

B237E

The MINISTER OF LAW AND ORDER:

Yes.

HOUSE OF ASSEMBLY

for Blacks in certain areas; if so, (a) in which areas and (b) what total number of Black persons is currently receiving such pensions;

Cape of Good Hope:	145 935
Natal Provincial Administration:	73 112
Provincial Administration of the Orange Free State:	91 934
Transvaal Provincial Administration:	268 014
Total for RSA:	578 995

(2) whether there is a backlog in the handling of applications for social pensions in any areas; if so, (a) in which areas, (b) what are the reasons for this backlog and (c) what total number of applications is currently awaiting processing;

(2) No.

(3) in respect of what date is this information furnished?

- (a) Falls away.
(b) Falls away.
(c) Falls away.

B269E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) No. The legal responsibility was entrusted to the Administrators of the different provinces on 1 November 1986.

- (3) Provincial Administration of the Cape of Good Hope: 26 January 1992
Natal Provincial Administration: 20 February 1992
Provincial Administration of the Orange Free State: 31 January 1992
Transvaal Provincial Administration: 24 January 1992

(a) The administration areas of the different provinces.

(b) Provincial Administration of the

Social pensions: Blacks

300

109. Mr R M BURROWS asked the Minister of Local Government and National Housing:

(1) Whether his Department is responsible, through the provincial administrations, for the administration of social pensions

5/19/92

Scarce electricity

OF SA's 278 black townships, 51 had no domestic electricity at all, Local Government and National Housing Minister Leon Wessels said. A further 120 townships had 20% or less electrification.

Low cost housing 'key to growth'

123

B/ Day 11/3/92

Reports by
PETER GALLI

ALL professional and allied building industry bodies should get together and approach the financial institutions as a unified group about solving the "affordable housing" problem, and helping to kickstart the economy, says Claybrick Association executive director Leon de Bruyn.

"The industry was hoping that the findings of the De Loor Commission into low cost housing would have been released by now but as this has not happened, we have to take the initiative," he says.

More and more contractors, manufacturers and suppliers were struggling to stay in business, and were finding that their forward order book was non-existent.

The various associations were anxious to stimulate the market, but could not do so without the help of the institutions.

Constructive

"All the allied industries are keen to join together and work as a team. The suppliers are also ready, as most have stockpiles building up. Something has to be done before this situation gets out of hand," De Bruyn says.

The mechanisms are all in place for the players to get together: Bifsa is involved with training and the National Association of Home Builders and the African Builders' Association are positioned to assist in formulating a strategy, he adds.

"We are asking the public sector to take the initiative. The Claybrick Association is prepared to provide the infrastructure to coordinate and facilitate this, but something constructive has to be done soon."

The association had approached all the institutions and made presentations to them, as well as to the Association of Mortgage Lenders' technical committee.

Criticisms by the institutions, and matters of concern, had been examined and addressed. One concern was the water resistance of homes with walls of single-brick thickness. "Tests were carried out in the short term, and the structure was found to be water resistant."

De Bruyn says his association registers and appoints contractors, and helps ensure that homes are properly constructed by sharing the building inspectors' function with the institutions concerned.

Despite this, institutions were holding back and were involved only in a small number of developments with a negligible amount of units.

The brick stockpile was still growing, and now stood at 442-million bricks, but this is only seven weeks' production.

This would soon be used up if affordable homes were built on a large scale.

The brick market has been saved by continued activity in the non-residential market, says De Bruyn, but growth will ultimately come from the low cost market.

The association believes a fundamental change in approach to low cost housing is essential.

"Products are expected to conform to First World standards but are directed at a Third World market, and our approach needs to take this into consideration," he says.

Civics back Cosatu

3 (Day) 11/3/92
TOWNSHIP civic organisations will throw their weight behind Cosatu's four-month programme of action, which may include a general strike.

Cosatu announced at the weekend that its programme, which centred on a variety of political and economic demands, would include a "people's referendum" on March 18 - Budget day.

National Interim Civics Committee general secretary Sithembiso Radebe said yesterday a national federation of civic organisations, due to be launched in Uitenhage this weekend, would urge its structures to support Cosatu's campaign.

Radebe said Cosatu's demand for a speedy establishment of an interim government was supported by the civic organisations.

"But unlike Cosatu, we are not putting a deadline for the demand yet as the matter will be on the agenda at this weekend's launch of the national civics federation," he said.

The role of township civic

WILSON ZWANE

organisations in Codesa and the escalation of violence in the townships would also be discussed, Radebe said.

"It should be made clear, however, that the focus of the federation would be on issues such as development, housing, education and electricity."

Delegates

The foundation for the launch of the federation, to be called Civics Association of SA (Casa), was laid at a national consultative conference in Bloemfontein last May.

Delegates from civic organisations in the Transvaal, the Eastern and Western Cape, Border and the Free State attended the conference.

The committee has postponed Casa's launch at least twice, citing lack of funds and unpreparedness of some of the regions as reasons.

Report by W Zwane, TML, 11 Diagonal St, Jhb.

New civic body to be formed

(123)
(100)

STAR 12/3/97

By Jo-Anne Collinge

Civic associations from across South Africa will gather in Uitenhage this weekend to launch a national structure, likely to be known as the Civic Association of South Africa (Casa).

The launching conference and rally are the culmination of a year's work by the National Interim Civics Committee (Nicc) to draw together a large number of local associations with diverse programmes and histories.

Nicc executive member Mzwanele Mayekiso said: "Our view of the national civic is that it won't be prescribing to local civics what is to be done. It will be more of a co-ordinating body."

The civic associations developed a strong protest tradition under apartheid, leading the battle against black local authorities and poor living conditions.

They were the force behind the rent boycotts which crippled township councils and compelled the Government to reconsider compulsory racial segregation of local government.

In the changing political climate the civic movement is striving to develop a non-party-po-

litical base.

Said Nicc general secretary Sthembiso Radebe: "The civic organisations are there to see to it that the rights of all residents are fulfilled and to deal with daily problems of residents on bread and butter issues."

He said 450 delegates from civic associations in 14 regions and about 100 guests from national organisations and labour federations would attend the conference, which would be opened by Transkei's General Bantu Holomisa.

The delegates would be debating the relationship between Casa and Codesa.

Mr Radebe said that while the interim structure recognised the role of Codesa and fully supported its initiatives, delegates would have to decide whether Casa would seek representation to Codesa or attempt to influence the debate on the constitution of local government from outside of Codesa.

In addition, the interim structure would urge the new body to carry forward campaigns for "one municipality, one tax base"; the dismantling of black local authorities and coloured and Indian management committees; for land and affordable housing and service charges; and for a constituent assembly.

US millions to build SA houses

(123)

CT 13/3/92

By BARRY STREEK,
Political Staff

THE US government yesterday announced plans to spend \$86,2 million (about R242m) on housing and urban development projects in South Africa over the next four years.

The projects would be financed by funds authorised by President George Bush when he lifted most Comprehensive Anti-Apartheid Act sanctions against South Africa in July last year, the US embassy said in a statement.

In January this year, Mr Bush asked the US Congress for aid of \$80m (about R225m) to South Africa — twice as much as the previous year.

The embassy statement said the project would support increased production, improvement and ownership of affordable housing for "South Africans disadvantaged by apartheid".

Its objectives were to assist development of affordable housing and in-

crease private sector financing for low-cost housing, support black construction enterprises and expand black employment, and strengthen black community-based housing and management organisations.

When Mr Bush terminated CAAA trade and investment sanctions he had announced a doubling of the US assistance programme for South Africa to \$80m for 1992, the statement said.

He had said at the time that there had been a profound transformation in South Africa, which had prepared the way for constitutional negotiations, adding that this had to be accompanied by economic measures that would create the economic growth to meet the expectations of all South Africans.

● The US government and private groups on Wednesday announced a \$40m (about R112m), four-year aid package for educational and economic development projects in Africa, Sapa-AFP reports.

US gives R87m for housing

THE US is to grant R86,7m in housing and development assistance for SA's poor.

The US embassy said yesterday the project, which would be spread over four years, would be financed by funds authorised by President George Bush when he lifted Comprehensive Anti-Apartheid Act sanctions against SA last July.

It said the project would "support increased production, improvement, and ownership of affordable housing for South Africans disadvantaged by apartheid".

"Its objectives are to assist the development of affordable housing and increase private sector financing for low cost housing; to support black construction enterprises and expand black employment; and to strengthen black community-based

housing and management organisations."

SA Housing Trust corporate communications head Michael Fowlds said the trust welcomed all financial support, whether the funds came from local or foreign sources.

"The industry is grinding to a halt because the funding is not getting through to the ground. We need to find out how they (the US) intend to implement the project, through which channels. But it's got to be practical. SA can no longer work through theory alone. It creates expectations, but experience has shown nothing happens."

An Urban Foundation spokesman declined to comment.

THEO RAWANA

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8/10/92 13/3/92 (123)

Poll prompts freeze on home sales

ADRIAN HADLAND

THE residential property market has been put on ice with few buyers willing to commit themselves pending the outcome of the referendum on March 17, estate agents said yesterday.

Up to 60% of buyers have made their offers conditional on a "yes" vote, while advertising for properties has dropped considerably over the past few weeks, said Aida Holdings MD Aida Geffen. "Business is too terrible, from 300 pages of weekly property advertising, we are now on only 170 pages."

Other estate agents, including Betta chairman Charles Everitt and Eskel Jawitz's Arthur Jaffe, concur that the industry is in the doldrums.

Several estate agents in the Johannesburg region estimated about two-thirds of clients were not prepared to commit themselves until the poll.

Geffen said that while property prices and demand in the platteland remained largely unaffected, the metropolitan regions had been particularly badly hit by the freeze.

Everitt was confident the market would pick up after the referendum.

Meanwhile, Stuttafords Van Lines has reported a big increase for information on emigration since the poll was announced.

Report by A Hadland, TML, 11 Diagonal St, Jhb.

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STAR 13/3/72
**US boost for
black housing**

The US has announced plans for a R86 million four-year housing and urban development project for SA.

The US Embassy in Cape Town said the project would be financed by funds authorised by President Bush when he lifted most sanctions on SA in July. At that time, Mr Bush said he would double US assistance to black South Africans for housing, economic development and education programmes.

The project would support increased production as well as improvement and ownership of affordable housing for "South Africans disadvantaged by apartheid".
— Staff Reporter, Sapa.

STAR 14/3/92

Bond rescue

STANDARD Bank has launched an insurance policy aimed at helping homeowners who may be retrenched. (S) (123)

The AccessBond Protection Plan is being marketed by its Home Loans Division in conjunction with Standard Bank Insurance Brokers and is underwritten by Sage Specialised Insurances.

Homeowners between 18 and 55, who have been with the same employer for a year and earn at least R2 000 a month, qualify. They must have a Standard Bank home loan. Monthly bond payments will be made throughout the benefit period — six or 12 months — unless the policyholder is re-employed. The policy will pay out up to 150 percent of the bond instalment (including any subsidy) but not more than 60 percent of the policyholder's monthly taxable earnings of R12 000 a month.

Upside of high rent

STAR 14/3/92

(123)

RESIDENTIAL property rentals are going through the roof, reports Camdon's Rental Division.

In some areas asking rentals have doubled in the past three or four years and there are further increases in the pipeline as the rental market, long depressed artificially, adjusts upwards, sometimes drastically.

Jane de Broglio of the Camdon's Rental Division says that in Johannesburg, flats that three or four years ago were renting for R400 or R500 a month are now renting at about R900 to R1 000, while homes that were available at R1 200 a month are now renting at close to R2 000 a month.

"Obviously rental levels vary from area to area and from city to city but the general trend is definitely upwards," she says.

One side effect could be stimu-

lus for the buying market, certainly in terms of lower-priced properties and apartments where the bond repayments are similar to that of rental.

This, in turn, could spark off a fresh spate of conversions of existing blocks of apartments for sale under Sectional Title while there is already renewed interest in new apartment developments specifically for sectional title sale.

However, due to poor returns for investors in rental properties over the past decade, little new development has taken place and there is considerable leeway to make up before demand is even partly satisfied, thus ensuring continued upward pressure on rentals.

Moreover, elimination of the Group Areas Act now allows any member of any population group to rent where they please and this had added to the rental demand to some extent.

Mayekiso elected civics' president

VETERAN trade unionist and Civics Association of Southern Transvaal (Cast) chief Moses Mayekiso has been elected president of the new national federation of township civic organisations.

The SA National Civics Association was launched in Uitenhage at the weekend.

Mayekiso was elected in absentia. Sources said he scored a clear victory over ANC local and regional government department head Thozamile Botha. In an interview yesterday, Mayekiso said he missed the launch as he had to be in his home town Alexandra where violence has raged

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WILSON ZWANE

between hostel dwellers and residents since March 8. 123

He said the new federation would decide whether township civics should participate in Codesa. In an apparent reference to Cosatu's programme of action, he said the federation would support "actions by progressive organisations".

Cosatu has planned to hold nationwide marches and pickets tomorrow. Mayekiso said the new federation's focus would be bread and butter issues like housing, development, education and electricity.

Jo-Anne Collinge looks at the clash between the NP's and ANC's pledges on property

Land reform v security of title

STAR 17/3/92.

123

GOVERNMENT land reform programmes and the constitutional protection of property rights sound like different aspects of a single cause, right?

Wrong — easily a dozen times wrong, says the land reform lobby. Nothing is more certain to hamstring Parliament's ability to redistribute land and house people than an unqualified protection of property rights in a Bill of rights.

The ANC, itself part of the land reform campaign, carries a heavy load for protecting the landless and homeless in the constitutional-making process.

It would probably like to purge the property clause from a future Bill of rights — after all, some countries get by without one.

But the National Party and the Government would no doubt put all their muscle into opposing this. The assurance to white property-holders that their title is safe has become a virtual refrain of the De Klerk campaign for constitutional change.

Furthermore, the South African Law Commission report not only recommends that property rights

be protected and that compensation for expropriation "in the public interest" be referable to the courts, it sees in the ANC's draft Bill of rights a plan for "naked and arbitrary nationalisation of whatever nature without the courts being able to protect those prejudiced in any way".

The Wits Centre for Applied Legal Studies recently convened a conference of organisations who are determined to dismantle the apartheid land legacy. They debated hotly on how a Bill of rights could pass muster with the Nats as regards property and yet serve the disposessed.

These were some of the moves they proposed:

- That land be treated as a special instance of property and dealt with separately in a Bill of rights. Various lawyers pointed out that "property" had been taken to mean physical entities such as land and housing; and intangibles such as copyrights, employment rights, social security benefits and shares in a company.

Land, it was argued, had particular characteristics that set it apart from most other property —

not least of them its finite quality and its position as an absolute necessity of life.

- That certain forms of affirmative action be specifically related to land rights. The ANC's Albie Sachs noted that a Bill of rights could be employed variously as an offensive and defensive weapon. And several contributors argued that the propertied classes had been outstandingly successful in invoking Bills of rights to defend their property.

In India a property clause that Prime Minister Jawarhalal Nehru — a convinced socialist — regarded as the key to implementing land reform, proved a formidable weapon in the hands of the propertied classes. University of the Western Cape legal expert John Murphy related that India eventually dropped the clauses from the constitution in 1978 "after 30 years of wrangling with the Supreme Court. Before their repeal... India's judges showed themselves more inclined to favour individual property rights than the imperatives of social reform".

Affirmative action provisions on land would make the Bill of

rights a potentially offensive weapon for the disposessed.

- That the question of compensation be looked at afresh. Firstly, that it apply not only to those whose land might be expropriated or otherwise removed under the post-apartheid regime, but also to historic dispossession under apartheid. Secondly, that the compensation level be determined in such a way that financial considerations do not become an insurmountable obstacle to land reform.

Those arguing for land redistribution flatly rejected the notion of compensation at market-related prices, which applied for 10 years in Zimbabwe and effectively throttled the process of land reform. The ANC has proposed that a notion of establishing "an equitable balance between the public interest and the interests of those affected" should be the basis of compensation. The Law Commission argues this method defies objective testing by the courts.

- That the constitution be used to redirect judges' attention to forms of land rights other than conventional freehold title. The diversity of "real" land rights — which re-

late to the way people occupy, use and gain access to land — must be placed side-by-side with the abstract notion of ownership embodied in title, argues Unisa's Dr Andre van der Walt. This means a wider range of people would have a claim to land they had occupied — perhaps for generations — without title and that security of tenure could be guaranteed to such landholders. Dr van der Walt and others propose a land claims court or tribunal as a means of refining "pluriform" concepts of ownership.

The ANC, which found itself under fire from various quarters in relation to its original property clause, is redrafting the land and property provisions in its Bill of rights proposal. Still incomplete, the redraft takes account of many of the above arguments.

It unequivocally protects the homes of all people, rich and poor alike.

It also directs the legislature very clearly to make land laws that will embody the principle of equity and will facilitate "provision of adequate housing for the whole population".

It obliges parliament to set up a land claims tribunal which will, among other things, investigate restoration of land to those subjected to forced removals or appropriate compensation where restoration is not feasible.

A separate property clause is being contemplated. And Mr Sachs hinted that the ANC would not seek State intervention in the area of what he termed "commercial property" — debentures, shares and various business interests. "It's the area least open to constitutionalising," he commented. The Left had learnt that tight government control of markets was not viable. "We think that it should be open."

There is no way that resolution of the land question can avoid hurting somebody — either the homeless and landless will remain so, or someone has to give. What the ANC seems to be calculating is whether, with their homes and their business interests guaranteed, the present ruling group might not be prepared to forfeit a measure of land — against some compensation — in the name of righting wrongs and securing a future society. □

Jo'burg prices up 25,5%

8/12/92 18/3/92 (1230)
DESPITE reports that home prices had not shown real growth over the past few years, the average price of Johannesburg homes sold through Multi Listing Services (MLS) rose 25,5% to R158 630 in the year to end-January.

"The national average increase reported was 24,5% at R131 627, with Border reflecting a sizeable hike to R133 100. This was followed by Cape Town, where house prices sold by MLS members rose to R165 790 and the Garden Route, which recorded a 31,4% rise to R134 700," said MLS MD Bruce Wilson.

Home prices in Pretoria eased by 0,97%, with the Free State falling 9,2% and Maritzburg 9%.

Transfer duty exemption ceiling raised

By Day 19/3/92

Own Correspondent

CAPE TOWN — The ceiling for exemption of transfer duty on fixed property is to be raised from today to assist homebuyers in lower income groups, while duty payable on more expensive properties is to rise.

Under new VAT legislation the acquisition of fixed property subject to VAT is exempt from transfer duty.

The ceiling for exemption from transfer duty has been raised from R30 000 to R50 000 for properties with dwellings on them or sectional title flats and from R12 000 to R20 000 for unimproved land on which a dwelling is planned.

For properties above R50 000 the transfer duty payable by individuals will change to 1% on the first R50 000 instead of the present R30 000 and 5% on the balance against 3% previously. (123)

This means that people buying a house with a value of less than R70 000 will pay less transfer duty than previously while those who buy houses costing more than R70 000 will pay more.

The rate for companies will be raised from 5% to 7%.

JJA

Housing allocations rise by 95,6%

CAPE TOWN — Direct and indirect allocations for housing have been increased by 95,6% to R2,153bn. *Monday 19/3/92*

The printed estimate of R1,285bn for housing and related infrastructure provision is up 18,2% on last year but together with the income accruing to the various housing funds from loan service and redemption, the amount available will be R1,653bn against R1,087bn last year.

This would be further boosted by R500m to be provided from the sale of additional strategic oil reserves, Finance Minister Barend du Plessis said yesterday.

And, he said, it was estimated that a further R1,1bn would be spent on housing by the Development Bank, the SA Housing Trust, the Independent Development Trust and self-governing areas bringing the total to be spent on housing to R3,3bn.

Du Plessis said if possible, a further

Own Correspondent

R500m would also be provided in the 1993-1994 financial year from the sale of strategic oil reserves to help maintain the momentum of various housing actions.

He said part of this year's R500m would be available for the financing of housing by the Administrations of the House of Representatives and House of Delegates.

It is proposed that the application of these funds be accounted for in the additional appropriation and that a small task force, led by the Department of Finance, facilitate the consultation and allocation process so as to maximise the development and job creation impact. *(123)*

The funds should preferably be accessible on the same basis for both government and development institutions, he said.

Housing ⁽¹²³⁾ commitment

welcomed

STAR 19/3/92
By Frank Jeans

A positive measure to emerge from the Budget is the Government's continued commitment to housing.

The increased expenditure to a total of R3,3 billion for homes has been welcomed by the development community which, however, at the same time, emphasises that now is the time to implement the national housing policy mentioned in the Budget speech.

Charles Martin, economist with the Building Industries Federation (Bifsa), who sees the Minister's recommendations as "mildly stimulatory", believes the findings of the De Loor Committee on Housing should now be implemented.

"We have the money to invest in housing, but it is now imperative to establish a comprehensive housing policy which is sorely lacking in the accommodation market," he says.

A further positive step to get the lower end of the residential property market on the move has been the changes in transfer duty.

Previously, no transfer duty was payable up to R30 000. That figure is now R50 000 — a move which should have the effect of increasing the affordability among lower income earners.

A leading estate agent, Scott McRae, managing director of the Camdon's Group, has no doubt the property market has received a "double tonic" in the form of a favourable referendum result, along with expectations of a mild upturn later this year.

Predicting an improvement in foreign sentiment towards South Africa, Mr McRae says: "This could lead to an inflow of capital into local property which, in turn, could lead to an increase in prices.

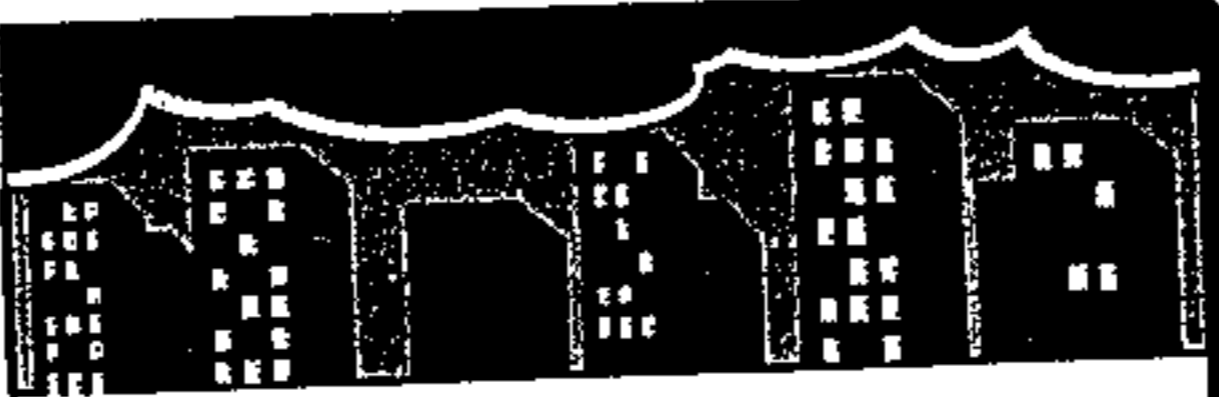
"For overseas investors, local properties have, for decades, suffered from a 'political discount' and their true market value has consistently fallen short of comparable property abroad."

Homebuyers to suffer

FM 20/3/92

The Budget carries a sharp sting for middle- and upper-income groups in a proposed hike in transfer duty on all but modest dwellings.

The duty now is 1% on the first R30 000 and 3% on the rest. The new duty will be 1% on the first R50 000 and 5% on the remainder. The effects are shown in the table. The



BAD NEWS

Transfer duty changes

House cost	Was	Now	Increase	% increase
180 000	4 800	7 000	2 200	45,8
300 000	8 400	13 000	4 600	54,8
500 000	14 400	23 000	8 600	59,7

Source: Deloitte Pim Goldby

rate for companies goes from 5% to 7%.

Has government thought through the effects on the emergent black middle class which aspires to get out of Soweto into mainly white, middle-class suburbs?

Aida Real Estate MD Aida Geffen expects the effect on the residential property market to be marginal because anyone needing a house will still have to buy. But they may well shade an offer to counter the increased duty or buy down. ■

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More tax for property owners

CAPE TOWN.— The imposition of increased transfer duty on property transfers will affect the individual property owner, according to the president of the Chartered Institute of Management Accountants and managing director of Seeff Trust (Pty) Ltd, Mike Flax.

The transfer of commercial property was generally zero rated so that most of the R160 million expected to

be raised from this tax would be paid by individuals, Mr Flax said.

“Although we all expected an increase in the fuel levy, this is rather inflationary. However, the lesser increase in diesel levies and the additional rebate to farmers was welcomed.”

Business in general would regard the Budget in a positive light and as mildly stimulatory in that it would not discourage investment. — Sapa.

BETTERMENT FEES

Sapoa fights back

FM 20/3/92

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Cape Town City Council has recommended to Cape Administrator Kobus Meiring the reintroduction of betterment fees. These are payable by property owners when their land increases in value because of rezoning.

The move could increase considerably the cost of developing land and is opposed by the SA Property Owners' Association (Sapoa).

In addition, council officials are currently preparing a proposal for cost-related fees for rezoning which will push up development costs even further.

Until 1985, betterment fees were levied under the 1934 Townships Ordinance at a rate of 50% of the increased market value of the land as a result of rezoning. The measure was scrapped when the Land Use Planning Ordinance (Lupo) was introduced in 1985.

If it is re-introduced, it will mean, for example, that if a piece of land is rezoned from residential to business and the value is deemed to have increased from R100 000 to

R500 000, the owners will be liable for a betterment fee of R200 000.

Council officials argue that the current system is inequitable. Lupo abolished betterment fees but retained the concept of payment by the city council of compensation for the loss of development rights when, for planning reasons, it wishes to restrict owners who want to develop zoning rights to their full extent.

But Sapoa Western Province regional chairman Lori Colussi says the scrapping of betterment fees was a trade-off to the industry in return for the acceptance of the lapsing of all existing zonings not utilised, in 2001.

"Sapoa will regard any attempt to reintroduce (betterment fees) as a breach of good faith on a deal that was negotiated during the early part of 1980, culminating in the acceptance of Lupo by all concerned."

He says it was accepted at the time by investors and local government representa-

tives that betterment fees were a "most undesirable," unfair and unreasonable form of tax. "The development potential of a site is invariably already discounted in the value of the site at any given time, so it is unfair to impose tax at a specific time chosen by the authority based on an 'enhancement' as a result of rezoning — a possible change in land use would always have been on the cards."

Colussi says the "trade-off" assisted local authorities in ridding themselves at no cost over 15 years of zonings considered undesirable (previously they had existed *ad infinitum*). He says the council's proposal is contrary to all free-market principles and the decision should be rescinded.

According to provincial officials at the time, betterment fees were scrapped to "reinforce the market mechanism" and remove "distortions" from the property market.

But in a report to the council's town plan-

continue →

PROPERTY

FM 20/3/92

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consequent disparities in land values between different zones.

Riley said the levying of betterment fees would allow local authorities to be more "courageous" in curbing undesirable development and, if necessary, paying compensation. He acknowledged that betterment fees would add to capital and holding costs, possibly discourage investment in Cape Town and cause disputes over the extent of increased values.

The proposed introduction of cost-related fees for rezonings and other council services, such as subdivisions and departures from town planning schemes, is in line with a recent amendment to Lupo.

Riley said the cost of processing a simple application ranges from R1 000-R2 000, but can be as high as R100 000 for a large and complex application, at council's expense. ■

ning committee, city planner Neville Riley said expectations that Lupo would eliminate "sudden jumps" in value due to rezoning had not been realised and "substantial windfall profits" were being made from successful rezonings.

Riley said "theoretical suppositions" relating to the operation of a free market in urban land were "highly simplistic." It had been shown internationally that it was extremely difficult to eliminate the "windfall and wipeout phenomenon" which went hand-in-hand with a development control system based on zoning.

But unlike systems operating elsewhere in the world which contributed to the smoother functioning of the land market, Lupo was based on the concept of "Euclidean zoning" (separation of land uses) which inevitably leads to situations of relative scarcity and

Housing gets a R3,3-billion boost

By Ferial Haffajee

ONE of the brighter aspects of the Budget is the significant increase in the housing allocation.

The government and other housing institutions will spend R3,3-billion on housing in this financial year. This figure far overshadows last year's Budget allocation of R1,087-billion for the sector.

The Budget formally sets aside R1,653-billion for housing. In addition, the Minister of Finance said that R1,1-billion would be spent on housing by the Development Bank, South African Housing Trust (SAHT) and the Independent Development Trust (IDT).

In an innovative development, the government recognises that significant housing finance can be accrued through "the IDT's initiative where-

by institutional investment funds are channeled via stokvels (through an IDT subsidiary) to informal housing".

Further reduction of the country's oil stockpile will make an additional R500-million available for housing. A sub-committee of the Department of Finance will oversee allocation of the additional fund.

Some of this money will be made available to the various development institutions active in the housing arena to "help maintain the momentum of various housing projects".

All housing and related developments will ensure that "the fullest consultation takes place to ensure the fund has a maximum development and job creation impact".

The SAHT's Johan Nel welcomed the additional allocation in this

year's Budget as well as the R500-million boost from oil sales. He said: "The renewed focus on housing acknowledged the need to maintain existing housing projects."

Nel said that prior to Wednesday's Budget, many housing projects were in danger of coming to a standstill.

Durban Housing Action Committee secretary Pravin Gordhan said the amount allocated to housing in the Budget reflected a change in attitude. Saying that the government's approach was fragmented and casual, Gordhan suggested that "central government must assume responsibility for providing housing. The siphoning off of the Budget to private developers or parastatals like the IDT is not acceptable".

Buying a house: Several options open to you

STAR 21/3/92

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FOUR options face today's young house buyer; you can buy a small and affordable home and, recognising that building costs keep rising, you can engage architects and builders to convert it to a dream home catering for future needs.

Alternatively you can buy a big ready-built home and grow into it.

Thirdly, you can buy the affordable home and add on as your career advances.

Finally, you can simply wait until the need arises and then buy what you need.

Let us assume that for R200 000 you can buy a three-bedroomed home that almost exactly suits your present needs.

Let us also assume that, looking a little down the years, you envisage that as your career advances and the children grow up a bit more, you will need some extra rooms. You could buy all of those things now, but perhaps not laid out in the way you dreamt about, by opting for a house costing R300 000.

Alternatively you could buy the R200 000 house now

and, recognising how inflation is sending costs soaring, employ a builder to make the changes while you can still afford to have the work done. Following this option, you will have to accept that, since building invariably costs more than buying, your bill will be between R325 000 and R350 000.

Alternatively, you could be practical and note that since the average South African moves house once every seven years, you might move before you ever need the alterations and will accordingly wait until the need arises.

To opt for this third option, you will have to take the reasonable assumption that property prices and building costs will continue rising more or less at the same rate as at present.

The last option is the seemingly less-well-planned approach of being satisfied with the R200 000 house now and, when you need it and can afford it, selling your present home to buy the R300 000 house at whatever price it will then be.

Which is the most cost-effective option? To do some projections we need to make a few assumptions which will be subject to recalculation as the years go by.

To simplify calculations we will assume you do not have to put down deposits, that they arrange interest-only mortgage payments and we will leave out items like bond registration charges, transfer duty etc.

We will assume the bond rate remains a constant 19,75 percent, inflation stays constant at 15,8 percent, that desirable homes keep on rising in value at 1,5 percent more than inflation and building costs rise by an equal amount.

Let us look seven years down the line.

OPTION ONE: Buy for R200 000 and do nothing assuming that before you need to add on you will in any case have to move on:

Total bond payments	R276 500
Income surplus to save (a year)	R24 698
Appreciated house value	R611 105
Minus outstanding bond	R411 105

OPTION TWO: Buy a bigger house costing R300 000 now and grow into it:

FOOTSTEPS TO FORTUNE

RICHARD Cluver



Total bond payments

Income surplus to save (a year)	R4 938
Appreciated house value	R916 658
Minus outstanding bond	R616 658

OPTION THREE: Buy for R200 000 and alter now to achieve the house of your dreams at an all-in starting cost of R325 000:

Total bond repayments	R449 313
Income surplus to save	R0,00
Appreciated house value	R993 046
Minus outstanding bond	R688 046

To put our three buyers on the same footing I have assumed they all had the same income sums available with

which to meet bond costs.

Those going for options one and two thus have potential income surpluses which, if they are prudent, they would put away to meet future costs of either buying a bigger home or of making alterations when family pressures dictate that they are necessary.

Let us assume that they save these surpluses by buying unit trusts which achieve an average annual growth of 29,75 percent.

The **OPTION ONE** person would have:

Unit trusts worth	R566 231
Appreciated house valued at	R411 105
Total attributable asset	R977 336

The **OPTION TWO** person

would have:

Unit trusts worth	R113 255
Appreciated house valued at	R616 658
Total attributable asset	R729 913

The **OPTION THREE** three person would have:

Unit trusts	R000 000
Appreciated house valued at	R688 046
Total attributable asset	R688 046

If the Option One person decided after seven years to go for the Option Two house, it would now cost him R916 658.

He could buy it for cash and retain savings of R60 678.

If he decided to keep his original house and make the alterations that the Option Three person made at the start, they would cost him R361 940 and, of course, he would still be owing R200 000 on his mortgage which he could almost pay off if he wished, in which case he would end up owing a total of R15 709 on his sparkling new dream house worth R393 046.

Mr Option Two would have a rather tired house that was in need of renovation but still, hopefully, satis-

factorily meeting his family needs.

He would be owing the building society R200 000 which he could partially pay off leaving him with a bond of R86 745 on a house worth R916 658.

Mr Option Three would still have his dream house, which would by now also need some face lifting, and he would have a debt of R200 000.

The winner would clearly be Mr Option One; the man who bought according to his needs and did his improvements when he needed them.

Subtracting his debts from the asset value of his new home, he would be worth R977 337.

Furthermore, although we have not tried to place a cash value on it, his new renovations should make his home a much easier selling proposition than that of the Option Three man.

Mr Option Two would have an asset value of R829 913.

Mr Option Three would, as we originally calculated, have an asset value of R688 046.

The overwhelming conclusion then is that, provided

one buys according to present need but saves for the future, one should come out the winner.

Of course, things are not quite as simple as that for, despite its superior growth rate, the share market and the unit trust investment vehicle we selected as a savings vehicle are subject to boom and bust cycles.

Mr Option One would have to manage his savings carefully and he could find himself inconvenienced by having to delay his renovations until a time when a share market recovery permitted it.

● Footsteps to Fortune is a serialisation of Richard Cluver's latest book "How To Make a Million"

Nasty surprise for home buyers

ONE OF THE nastiest surprises in this year's Budget was the increase in transfer duties payable on property purchases.

This will affect many thousands of prospective property buyers who put their purchase decisions on hold until the outcome of the referendum was known. Now they are saddled with substantially higher transfer costs.

KPMG Aiken and Peat senior tax manager Phillip Meinel says: "The effect is that anyone buying property in excess of R70 000 pays more transfer duty than previously." Transfer duty on properties costing more than R70 000 increases from 3 percent to 5 percent.

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"It is noted that transfer duty rates have not been adjusted for some time and that, prior to the adjustment, there was a great difference between VAT and the rate of transfer duty.

"However, one must not lose sight of the fact that there was no sales tax on the cost of a house, apart from that on the building materials.

"When one considers the number of middle-income families unable to afford a house and the dearth of housing available below the R70 000 level, prospective home buyers have been penalised," Meinel says. There was confusion as to precisely when the higher transfer duties would apply.

5 TAX 21/3/92

Rate cut boost for homeowners

RESERVE Bank Governor Dr Chris Stals last night announced a 1 percentage point cut in the Bank Rate from Monday.

Dr Stals said lower rates on capital and money markets had led to an extension of liquidity and a gradual decline in the rate of increase in domestic bank-credit extension.

He said it was time the Bank stepped in to alter the trend or reduce the

STAR
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BRUCE WILLAN

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Bank Rate — thereby endorsing the changed conditions.

Other rates would also be reduced in line with the reduced Bank Rate.

The rediscount rate for Treasury bills would decline to 16 percent and the new rate for Land Bank bills would

● TO PAGE 2.

Rate cut

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● FROM PAGE 1.

be 16,15 percent.

The rediscount rate for liquid bankers' acceptances would however only be reduced by 0,5 percent to 17 per-cent.

In the statement, Dr Stals said it could be expected that most deposit-taking institutions would reduce their lending rates.

For homeowners this would mean marginal relief after many months of high bond rates.

A reduction from 19,75 percent to 18,5 percent on a bond of R100 000 over

25 years would mean a saving of R100 a month in repayments.

Coupled to this, if the prime overdraft rate, currently pitched at 20,5 percent, were reduced in line with the Bank Rate cut, struggling homeowners could experience a meaningful positive decline in expenditure.

The reduction in the bank rate, in conjunction with other recent political and economic developments, could result in a modest economic upturn later this year, says SA Chamber of Business director-general Raymond Parsons.

"But even then a growth rate of no more than 4 percent is expected in 1992, which is well below the real potential of the South African economy." Sapa.

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'No excuse to drop tradition'

Sowetan 23/3/92

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THE dominant feeling among blacks who have moved to former whites-only suburbs is that living there should not be an excuse for abandoning traditional practices such as slaughtering for ancestors, hosting weddings or any other festivities which are a norm in the townships. Although some feel it is necessary to alter the practices to suit the surroundings, most will stick to traditions.

During funerals in townships, the usual proceedings involve a week of visitors pouring in to console the bereaved, slaughtering of a cow and a night vigil before the funeral.

After the deceased has been buried, mourners proceed to his/her home where meals are served. Mr Dan Hlahatsi, who works for the Kallahong Town Council, lives in a Gemiston suburb.

He says from his great-grandparents to his father, slaughtering for any festivity has been a norm.

"Why then change attitudes because of a different environment?"

"If I have a funeral, buckets of water will be put at the gate for people to wash their hands, especially those who were involved in spade work at the cemetery.

"That will be accompanied by all the proceedings which are done in the township," he says.

Mr Zweni Nkosi, who also lives in a formerly white suburb, says his family have no rituals. For the few funerals they have had, there was no slaughtering.

"For those who have family rituals, it is about time they uphold their values without being apologetic to the neighbours.

"It was never an inconvenience in the townships, why should it be in town? Whites should get used to our traditional practices," he added. Mr Tso Modise says his area is predominantly Jewish.

"Jews have their own celebrations which include slaughtering. They therefore do the same as us. I have slaughtered twice for my ancestors since I got to my new home.

"My neighbours, of course, will be informed if there is a wedding or funeral, only as a matter of decency," explains Modise.

There are, however, people such as Mr Ike Makgothi who feel neighbours should not be inconvenienced unnecessarily.

"If I were to have a funeral I would leave out a night vigil because it is noisy. There are few people even in the townships who still hold vigils.

"The long queues for food outside the yard, as done in the townships, will be altered to a suitable arrangement," he says. He would not go out of his way to upset the

neighbours as he is still new in the area.

There are council by-laws which prohibit slaughtering in the suburbs.

The Sandton legal advisory department, however, says the by-laws do not prohibit slaughtering as such, but there are steps to follow for permission to be granted.

For instance the health department first has to assess things such as cleanliness of the premises and its size.

A number of blacks who live in suburbs have vowed that no law will deter them from practising their cultures.

On the other hand, their white neighbours would hear nothing of street weddings, funerals and vigils.

This is the general opinion found in Boksburg and Roodeport.

Although most of them refused to comment on the issue, Mrs Anna Potgieter of Roodeport said those were the reasons why they refused to stay with blacks.

"We differ a great deal with those people and we can't allow them to ruin our peaceful surroundings," she said.

Most whites from Johannesburg's northern suburbs, who have black neighbours, told *Sowetan* they would not object, but they should be told in time.



ARC 23/3/92

Low-cost housing complaints probed ⁽¹²³⁾

The Argus Correspondent

JOHANNESBURG. — Owners of dwellings in low-cost housing projects can apply directly to the Consumer Council in Pretoria for arbitration if they are unhappy with the construction and finish of their homes.

The critical national housing shortage has a direct bearing on consumer willingness to tolerate poor or slow workmanship, the council says.

"Owing to the housing shortage many people are prepared to accept poorly built or even semi-completed houses," Consumer Council executive director Jan Cronje said.

"Once they have moved in, they discover shortcomings and defects in the houses' construction and finish."

In many cases it was unclear what had been supplied, and owners claimed that builders did not provide what had been promised. Developers, in turn, claimed building plans did not make provision for that which the owners expected.

Other complaints include:

- Poor workmanship, especially where the building period is kept as short as possible, resulting in poor quality;
- Latent defects such as walls which develop cracks and roofs which start leaking due to a lack of proper sealing;
- Insufficient reinforcement of foundations in unstable ground which leads to walls starting to crack soon after completion; and
- Houses not being built or completed in accordance with approved plans, including houses with too few rooms or without fitted power points and taps.

Mr Cronje said most homeowners who complained to the council were ignorant about building plans. Complainants often obtained mortgage bonds from financial institutions which meant there were no retention fees which could be held back until they were satisfied with the building and the finish.

"In most cases the buyers have no money to institute civil claims against the developers.

"To overcome this problem, the council is compelled to appoint arbitrators. They investigate each case on behalf of the council and try to get the parties to settle," said Mr Cronje.

● Consumers who want to use the council's arbitration service, should call Mr At Meyer or Lion de Necker at (012) 28-3512.

STAR 23/3/92
Zambia to ask for aid for reforms

LUSAKA — Zambia will today ask Western donors for more than \$1 billion (about R2,8 billion) to help implement an economic reform programme and fight a severe drought.

"We are asking for the most Zambia has ever asked before," Agriculture Minister Guy Scott said yesterday, on the eve of a Paris donors' meeting.

President Frederick Chiluba ousted Dr Kenneth Kaunda on promises to abandon economic policies Dr Kaunda borrowed from the former Soviet bloc.

The new government inherited more than \$7 billion (about R19,6 billion) in debts.

Mr Chiluba has adopted Western-prescribed economic reforms but needs financial help to make them succeed.

Zambia's traditional donors, led by the World Bank and the International Monetary Fund, meet in Paris today and tomorrow. — Sapa-AFP.

STAR 23/3/92
Help for peeved new homeowners

Consumer Reporter

Owners of dwellings in low-cost housing projects can now apply directly to the Consumer Council in Pretoria for arbitration if they are dissatisfied with the construction and finish of their homes.

The critical national housing shortage has a direct bearing on consumer willingness to tolerate poor or slow workmanship, according to the council.

"Owing to the housing shortage, many people are prepared to accept poorly built or even

STAR 23/3/92
semi-completed houses," Consumer Council executive director Jan Cronje said at the weekend. "Once they have moved in, they discover shortcomings and defects in the houses' construction and finish."

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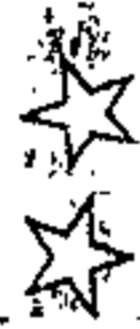
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Pick



Southern Transvaal

Supermarkets



Help for peeved new homeowners

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Bond rate decision due today

STAR 23/3/72

By Paula Fray

Banks are expected to say today whether the one percentage point drop in the bank rate announced at the weekend will mean another drop in the bond rate.

Yesterday reports indicated interest rates on mortgage bonds, credit cards and overdrafts could be lowered.

But Econometrix director Tony Twine said the lower bank rate did not necessarily mean a drop in bond rates.

A drop in mortgage rates was, unfortunately, not a direct consequence of a drop in the bank rate in the present situation, Mr Twine said.

In effect, institutions had pre-empted the drop in the bank rate by dropping their rates in February.

"The drop will have a mild stimulatory effect on the economy but this is a consequence of, and not necessarily the objective of, dropping the Bank Rate," he said.

● Banks ponder cut in mortgage rates — Page 13

Overdraft rates drop, bonds stay

Finance Staff and Consumer Reporter *STAR* 24/3/92

South Africa's major commercial banks yesterday all reduced their prime overdraft rates by one percentage point to 19,25 percent, but the home mortgage rate remains unchanged for the time being.

This decision has dashed the hopes of cash-strapped homeowners who might have been looking forward to another drop in the bond rate, after bond rates were dropped early last month.

Explaining the decision not to reduce mortgage rates any further for the time being, a spokesman for the Standard Bank said that banks pre-empted the Reserve Bank's decision to lower interest rates by a "couple of a weeks".

Bond rates will only decline further if inflation comes down in the next month or two, economists yesterday warned.

The reduced overdraft rate follows Reserve Bank Governor Dr Chris Stals's weekend announcement of a 1 percent drop in the Bank Rate.

Absa announced it would reduce the prime lending rates of Allied, United and Volkskas banks to 19,25 percent from Saturday.

Nedbank also announced a reduction in its prime rate while Standard Bank reduced its prime overdraft rate to 19,25 percent with effect from April 1.

FNB will drop its prime rate from 20,25 percent to 19,25 percent with effect from March 27.

● See report Page 19.

New front fires fierce salvo in eviction fight ⁽¹²³⁾

ARG 24/3/92

VUYO BAVUMA
Staff Reporter

A KHAYELITSHA organisation claiming to represent about 1 300 home buyers has launched a "Close NBS Campaign", claiming the building society has broken an undertaking not to evict residents in arrears with their bond repayments.

The United Residents' Front, representing people in various areas, including KwaNobuhle, Makhaya, Litha Park and Crossroads, has accused NBS of breaching agreements stipulating that, among other things, the front would be consulted before action is taken against the residents.

However, NBS has denied entering into an agreement with the front, adding that evicted residents have not paid their monthly instalments for more than two years.

The front said the NBS prom-

ised to cease all legal action, but was continuing to evict residents.

Problems flared when the buyers refused to pay their bonds almost two years ago in protest against "serious defects" in their houses.

In a statement the front demanded the NBS close all its branches and cease legal action against the residents.

Its members planned to hold a protest march from District Six at 9am on Saturday.

The statement, in part, read: "The United Residents' Front will continue its campaign until NBS is closed.

"We appeal to the public to support the Close NBS Campaign by stopping all stop-order repayments and boycotting NBS investments and loans."

Regional manager of NBS Mr Kingsley Loney denied that NBS had promised the United Residents' Front it would not to take

legal action against the residents in arrears.

He said the institution agreed to re-tailor monthly repayments of residents who could not cope, but only if they approached NBS personally.

The NBS told the front that it would take action against anyone who had not paid for two years.

Normally evictions for non-payment would have taken place a long time ago, but the NBS had waited because of negotiations with many residents' organisations.

"Anyone who pays their full instalments for three consecutive months from end of March this year will have their arrears capitalised.

"The question of legal action being ceased was not discussed with URF.

"And, there is no question that NBS would sign any recognition agreement with the URF."

Banks cut prime but not mortgage rates

STAR 24/3/92

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By Magnus Heystek

All major banking groups reduced their prime overdraft rates by one percentage point yesterday, in line with the weekend decision by the Reserve Bank to cut Bank rate by that figure.

Most banks have now reduced their prime overdraft rate to 19,25 percent, which will have the effect of reducing all interest rates linked to prime, including instalment, sale agreements.

But home mortgage rates will not be cut immediately.

According to spokesmen for the leading banks, Friday's cut in Bank rate was pre-empted by them a month ago when they unilaterally reduced mortgage rates.

Even at current levels, some mortgage rates on offer to selected clients are lower than

the prime overdraft rate.

However, a further softening in money market conditions could soon lead to another reduction in bond rates, a banker said yesterday.

First out of the starting stalls yesterday was First National Bank (FNB) with its announcement of a one percentage point cut in its prime lending rate.

Positive impact

The drop from 20,25 to 19,25 percent means substantially cheaper monthly repayments of overdrafts and more accessible borrowing.

"First National Bank welcomes this Reserve Bank rate cut," said Norman Axten, recently appointed senior general manager at FNB.

"This move will have a positive impact on the economy in general," he said.

FNB took the lead recently in driving down the cost of home loans when it dropped that rate from 20 to 19 percent.

In addition, FNB customers with a cheque account and two bank services had their bond rate reduced to 18,75 percent, while the rate for FNB Gold Card holders was cut to 18,5 percent, making it the cheapest home loan on the market.

Mr Axten said: "FNB will continue doing everything in its power to pass on meaningful benefits to customers whenever the opportunity arises."

The new rate becomes effective from March 27.

Standard Bank yesterday followed suit, reducing its prime overdraft rate to 19,25 percent, effective on April 1.

Nedbank and ABSA announced similar reductions.

Nedbank's new prime lending rate of 19,25 percent is effective

on March 28.

The Afrikaanse Handelsinstituut (AHI) welcomed the lowering of Bank rate, describing the reduction as the correct action to take in the light of recessionary conditions.

Inflation worry

Executive director, Professor Joe Poolman, said yesterday that while the cut in Bank rate, coupled with the relaxation of hire purchase terms, was welcome, it was important not to stimulate the inflation rate again.

Gold and foreign exchange reserves should also be protected, he said.

The AHI was confident that if these and other factors remained favourable, further steps would be taken in the near future to stimulate the economy.

Low-cost housing needs 'highlighted by Budget'

B/day

25/3/92

Reports by
PETER GALLI

THE recently announced Budget has once again highlighted the need for attention to be directed towards the low-cost housing market and the problems associated with it, according to housing specialists.

"Although the restraints within which the Budget had to be compiled are fully acknowledged, it must be realised that future allocations for housing directly from the Budget will have to be escalated," SA Housing Trust MD Wally Conradie says.

In the absence of an accepted housing policy and strategy, appropriate mechanisms will have to be found in the short-term to ensure continuity in the provision and development of housing, he adds. These mechanisms will need to reduce the negative influences that subsidy disparities and lack of co-ordination have on general development.

If this is not achieved the housing backlog will continue, despite the fact that funds are available, and private sector participation will decline even further, he says.

Gough Cooper Homes marketing

director Russell Glyn-Cuthbert says the low-cost housing issue requires direction and definition from government. Unless this happens soon the problem will worsen.

"The private sector will also be able to assist more effectively if such a plan is in place and financing is available. Unfortunately, due to the heavy losses incurred in the past, the finance houses are reluctant to loan money and are becoming more selective in approving candidates.

"They urgently need assistance and a government building society would be a possible solution," he says.

Even in the present economic climate and "socially turbulent times" there are many black people well positioned to buy a home. Effective housing has a stabilising effect on a community and contributes to long-term economic growth.

To stimulate the housing market, government released funds from the sale of oil reserves. Of R1,9bn realised from such sales in the previous budget year, R562m was allocated to

housing, infrastructure and land.

"In the 1992/93 Budget, a further R500m was earmarked for this purpose. Although the addition of these funds is welcomed, the allocation is 11% less than in the previous year," Conradie says.

The total allocation to housing rose by only 7% from R1,96bn to R2,153bn which, with inflation around 15%, shows an 8% decline in real terms, he adds.

The market was characterised by low affordability levels, an absence of clear policy guidelines and the resultant inhibition of long-term planning and the almost total withdrawal by the private sector.

"It is essential that the largest possible portion of the funds allocated be used to maximise the mobilisation of funds from the private sector, particularly the life offices, pension funds and financial institutions," he says.

Basic decisions on these issues will have to be taken in the short-term to maintain and expand the momentum regarding the delivery of infrastructure and housing.

Property industry unsure of 'yes' vote's influence

WHILE the property industry has welcomed the "yes" vote in the referendum last week, players disagree about the influence it will have on the market.

Pam Golding Properties executive director Mike Bissett says it will instil investor confidence in the country and the property market. This means overseas buyers will keep their lines of communication open and local investors will again start "putting pen to paper".

Property Economist Neville Berkowitz says international financiers should be willing to lend money to a new SA well on the road to political reform, which should see interest rates come down over the next year.

"There have been many tenants sitting on the sidelines waiting for the results of this referendum and who will now be more likely to commit to longer-term leases," he said.

However, Seeff Group Holdings chairman Lawrence Seeff feels the euphoria engendered due to the referendum result was partly offset by the

Reports by
PETER GALLI

Budget which did "less than nothing" to stimulate growth in the construction and property market.

"The fact that only 6,5% of government spending is to be allocated to capital projects is hardly stimulatory. While there is some relief for large construction companies in the provision for economic housing, this has been partly offset by the 2% increase in transfer costs," he says.

The Minister had failed to meet the challenge of SA's current needs. Seeff was hoping for an anti-inflationary budget with measures to promote business and industrial growth.

This will have put more people into jobs. "Tax holidays could have been offered to the overseas industrial investment and moves to end the wildly expensive and irrelevant tri-cameral system could have been announced," Seeff said.

However, Camdon's group MD Scott McRae disagrees with this, saying the increase in transfer duty and

the fuel price will have little impact on the market and improved overseas sentiment could see an inflow of foreign capital into local property.

"The Budget was clearly aimed at investing in political stability and the increased policy budget indicated a commitment to capital formation. This will also have a stimulatory effect on the property market.

SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says the property industry can now look forward to relative prosperity.

"I believe we will soon see a number of foreign investors and developers looking for opportunities . . .

Anglo American Property Services MD Gerald Leissner says the referendum result and conservative Budget could between them give a slight boost to the property market.

"The residential market, which has been dead, will start to improve, but for the commercial market to improve will need a drop in interest rates and general growth in the economy," he says.

Massive boost for housing

STAR 25/3/92

Urgent need to mobilise private sector funding

While the increasing allocation of Government funds for housing is welcomed by the development community, this should be set against the absence of clear policy guidelines and long-term planning and the almost total withdrawal of private sector financing.

This is the consensus among housing leaders as they eagerly await the findings of the De Loof Commission on Housing.

Says Wallie Conradie, managing director of the SA Housing Trust: "It is essential to use the largest portion of funds allocated in a way which would maximise the mobilisation of private sector funds, in particular the life offices, pension funds and, where possible, financial institutions."

While acknowledging the "restrictions within which the Budget had to be compiled", Mr Conradie said future allocations for housing directly from the Budget "will have to be escalated".

"The current disparities in subsidy systems, unco-ordinated planning and lack of synchroni-

sation among delivery agents, still prevails and will have to be addressed urgently," he says.

"It is important to realise, too, that the servicing of land is a time-consuming process which could extend from, say 18 months to three years.

"Funds allocated for that purpose today will, therefore, in most cases only be used for implementation over two to three years."

A Government building society?

Urging direction from the Government on low-cost, affordable housing, Russell Glyn-Cuthbert, marketing director of Gough Cooper Homes, believes that with finance houses experiencing severe losses in the past and becoming reluctant to lend in this area, assistance could come in the form of a Government building society.

"Even in these socially turbulent times, there are many black people who are financially well positioned to buy a home.

"However, it seems as if all



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Reports by Frank Jeans and Meg Wilson

projects designed to solve the housing crisis are afflicted with inertia and nothing concrete ever seems to be accomplished."

Urging a long-term guide plan, Mr Glyn-Cuthbert says this would overcome "spontaneous, panic-motivated resettlements" such as the Bloubastrand debacle which "created more problems than it solved".

Gough Cooper is active in Soweto, Mamelodi and Tembisa, with houses ranging in price from R35 000 to R85 000.

A major bugbear in the housing scene is the lack of knowledge among potential home buyers in

the lower income group.

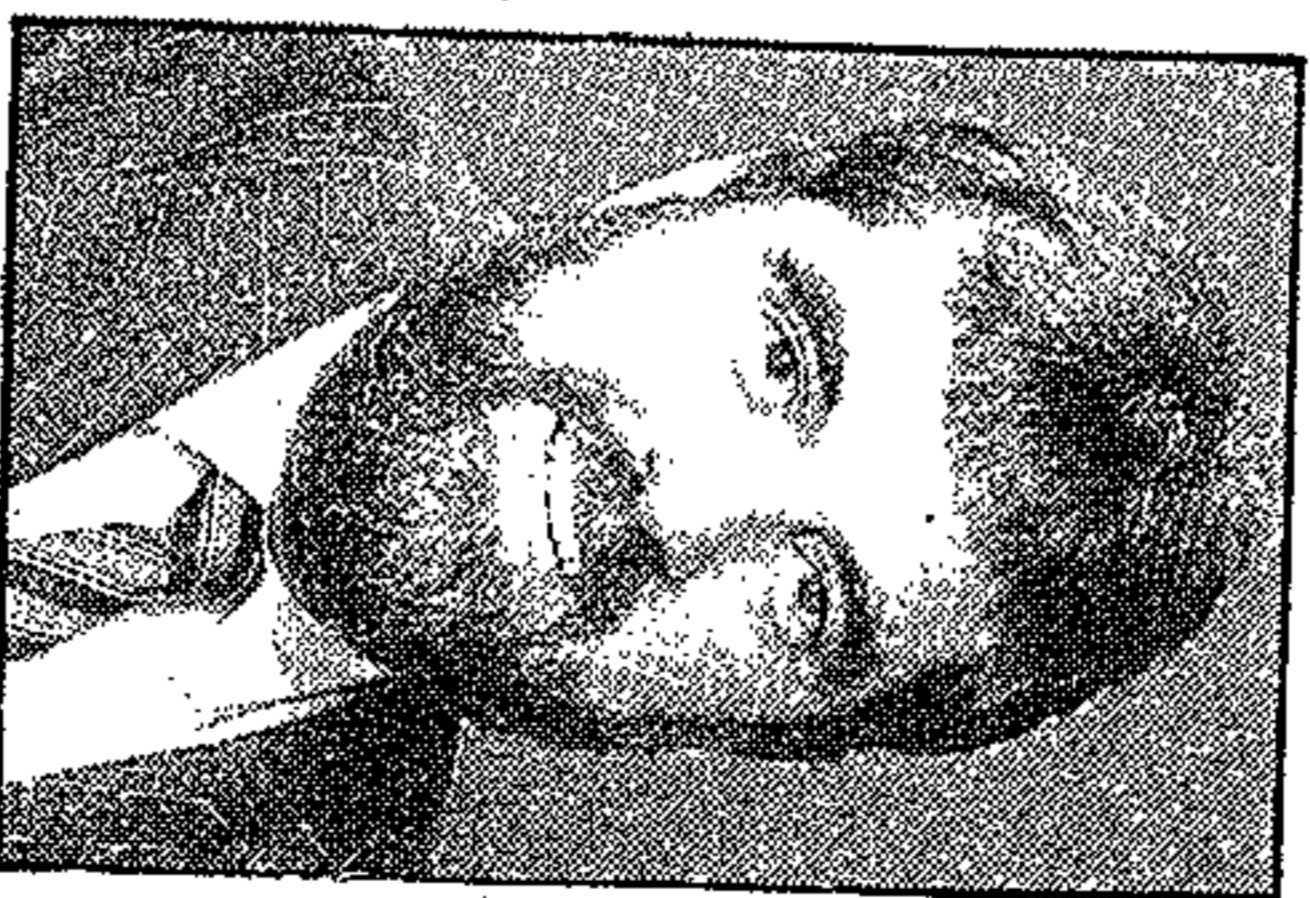
Helping to bridge the gap is Corporate Housing Consultancy, which "carries out the legwork" in homeownership on company and worker lines.

Getting across the know-how

Says Martin Doughty, of CHC: "Following detailed interviews, we establish exactly what the prospective owner can afford.

"We identify the level of housing knowledge then virtually hold the owner's hand throughout the buying process."

The consultancy, which has household names in its book, also helps companies to set up housing schemes and makes an analysis on all aspects of homeownership.



Russell Glyn-Cuthbert... nothing concrete ever seems to be accomplished.

Bond rates fall: What's the best thing to do?

Try to keep repayments up

STAR 28/3/92

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MAGNUS HEYSTEK

GONE are the days when mortgage bond rates were relatively steady, moving only in exceptional circumstances.

Today they fluctuate in line with interest rates.

Many people fail to recognise the enormous advantage of maintaining the level of mortgage bond repayments when rates are reduced.

This is quite often an incredible saving over the period of the bond.

When interest rates rise, you have no choice but to increase your monthly repayments in order to keep your house.

Try to maintain mortgage repayments at higher levels if at all possible in the case of a drop in mortgage rates.

To many, the cut in monthly repayments in the case of a drop of one percentage point might seem insignificant, but by maintaining payments at the higher level, the bondholder can save several hundred thousands of rands.

Outstanding

Monthly repayments on a R100 000 bond, repayable at 20,75 percent over 25 years, would be R1 739.

Drop the mortgage rate one percentage point and the payment falls R80 to R1 659 a month.

Maintaining repayment at current levels is equivalent to a tax-free investment of 19,75 percent. Assuming that interest rates remain constant during a period of 10 years, the home-owner will have reduced the outstanding capital by about R30 000.

After another 4,9 years the bond will have been paid off.

Why this dramatic saving?

Conventional home loans are structured so that the borrower

When bond rates go up, you have to raise the level of your repayments if you want to keep your home. However, there are big advantages to maintaining the level of repayments when rates drop, writes MAGNUS HEYSTEK.

repays mostly interest during the early years.

On a R100 000 loan, for example, after 15 years only R12 000 will have been paid off the capital. After 20 years the outstanding capital amount will be down by only 50 percent.

It's only during the last five years of the repayment period that the capital amount is swiftly reduced. That's why it's so important to maintain bond repayments at higher levels.

However, there is another choice.

Banks have developed products which allow the saving generated by a reduction in bond rates to be invested in unit trusts on a monthly basis.

Assuming unit trusts perform roughly in line with historical figures, this would result in a capital nest egg of about R32 000 after 10 years.

This example uses the average return of the UAL Growth Fund of 20,65 percent during the past 10 years; over 15 years the average growth rate was higher — 24,07 percent.

However, as the interest portion of unit trusts exceeding R2 000 is taxable, the after-tax return depends on the individual's marginal tax level.

A marginal tax rate of 30 percent would result in a return of 18,83 percent, while a marginal

tax rate of 40 percent would produce a return of 18,31 percent.

The minimum return on the unit trust fund required to ensure that the final investment value is equal to the outstanding loan balance upon expiry of the loan period is 10 percent.

However, this would entail a sharp deviation from the long-term growth performance of unit trusts and equity markets.

It is recommended that the monthly saving generated by lower interest rates be paid into a unit trust for the remainder of the loan period.

Using the R100 000 bond at an interest rate of 19,75 percent, the figures will look like this:

● Conventional bond — monthly repayments: R1 659 a month.

● Unit trust-linked bond: interest R1 646.

● Unit trust contribution: R75.

● Capital reduction: nil.

● Monthly repayments: R1 721.

Assuming a 20 percent growth rate is achieved, the value of the unit trust investment after 20 years would be R639 536. After repaying the loan, the investor is left with R539 536.

Returns

If the borrower decides to sell his house after, say, 18 years (refer to chart), the value of the units would be sufficient to repay the loan and leave him with an investment of R56 143.

Whether to maintain bond repayments or invest in a unit trust depends on where you expect the best investment returns.

By making payments on your bond, you are guaranteed an after-tax rate of return equivalent to the mortgage rate on your bond, but by investing in unit trusts and perhaps switching between the various types of funds, it is possible to earn a greater return on your money.

It all depends on you.

But whatever you do, try to maintain bond repayment levels when mortgage rates are reduced.

Executives get more ⁽¹²³⁾ for their millions in SA

STAR 25/3/92

In spite of the flood of R1 million homes on the market, South Africa is still one of the cheapest places for migratory executives to buy property.

In Tokyo, for example, a five-room home with one-car garage costs an average \$900 000, or around R2,7 million.

In Honolulu, the executive would get somewhat more for his money: a four-bedroom, three-bathroom house with two-car garage for around R1,95 million.

These two markets

rank as the most expensive in the world according to a survey conducted by the giant US organisation Century 21 and published in its Real Estate Investment Journal.

The corporation says executives earning the equivalent of \$150 000 a year will find vast differences in price, size and amenities among executive homes for sale in 59 leading markets.

It found that only homes in Sydney, Vancouver, Toronto and Hamburg fell into the in-

ternational average bracket of R1,1 million.

In Sydney, this would buy a 12 to 14-room house and in Vancouver and Toronto probably four bedrooms and two or three bathrooms on a much smaller stand.

In Hamburg, the buyer of a R1,2 million home would probably get 12 rooms, including three bedrooms and two baths.

The third most expensive market, according to the survey, is Rio de Janeiro, where the average list price for an executive home is R1,8 million.

But this buys a double-storey, with four to five bedrooms, four baths and servants' quarters.

For R1,5 million in New York's Manhattan, the executive would get a home — probably a high rise condominium or co-operative — of half the floor-size of one in Rio, with two or three bedrooms and two baths.

In London, the same type of accommodation would cost just R900 000.

Create 'building society'

THE Government has been urged to establish a building society to help alleviate the critical shortage of black housing which has become a "hot potato" in South Africa today. *Sowetan 26/3/92*

Property developers and experts contend that finance houses have experienced severe losses in the past, are now reluctant to lend monies and are increasingly more selective in approving candidates.

The private sector will also be able to assist more effectively if such a plan is in place and financing is available to help poor black families.

Now that the referendum is over and the country has affirmed its commitment to reform, it is essential that immediate Government action is taken and a formal housing strategy put forward, according to Marketing Director of Gough Cooper Homes, Mr Russel Glyn-Cuthbert.

Time bomb

The critical shortage of black housing, just like the unemployment crisis, is rapidly becoming a "time bomb" about which very little appears to be happening.

While the need for immediate informal housing exists, a longer-term view is also required, according to developers and experts in the building industry.

To tackle the low cost "affordable" housing requires direction and definition from the Government and unless this is soon forthcoming the problem will become worse by the day.

The building industry urgently requires a long-term guide plan for the development of urban areas.

This will avoid spontaneous, panic motivated, resettlements such as the Bloubastrand debacle that created more problems than it solved.

Gough Cooper is one such company that has always committed itself to the black housing market and aims to supply a product that is both affordable and of a desirable standard.

By JOSHUA RABOROKO

Glyn-Cuthbert says: "Even in these socially turbulent times there are many black people who are financially well positioned to buy a home."

"The quality aspect is a factor for all South Africans. We have a responsibility to develop land and offer a range of house worthy of home owner pride," he said.

'Disposable' income fear

By JOSHUA RABOROKO

THE growing unemployment, and limited salary increases, together with high levels of inflation, will reduce levels of disposable income and place increasing pressure on the affordability of low-income communities.

This is the observation made by the South African Housing Trust's (SAHT) Mr W Conradie on the Budget and low-cost housing announced by the Minister of Finance, Mr Barend du Plessis, last week.

Conradie said the growing risk of further retrenchments and company insolvencies during this time did not bode well for increased involvement of banks and building societies in long-term lending to the lower income segment of the market.

Direct budgetary allocation, including income from various housing funds, increased only marginally from R1,4 billion in 1991/92 to R1,6 billion in 1992/93, an increase of 14,3 percent. Both these amounts represent an allocation of about 1,6 percent of total Government expenditure.

Low affordability

Investment in housing in South Africa had over the years been at a level below 3 percent of GDP. Compared to other developing countries, where the percentage ranged from 3,6 percent to 8,5 percent (an average of five percent), that was ostensibly low, he said.

However, he said, any increase in the investment in housing in Africa, which "I maintain should be strived for, would, given the low affordability levels prevailing in the country, have to be supported by substantially increased direct budgetary allocations."

In an attempt to provide further impetus to housing, including infrastructure and land, funds have been released from the sale of strategic oil reserves for that purpose.

Of a total amount of approximately R1,9 billion realised from such sales in the previous budget year, a total of R562 million as allocated to housing, infrastructure and land.

Similarly, he said, in the Budget for 1992/93 year, a further R500 million was earmarked for this purpose while Du Plessis indicated that a similar amount could be made available during the following year.

Accepted housing

He said the total allocation to housing increased by only 7 percent, which given an inflation rate of say 15 percent, meant a decrease of about 8 percent in real terms.

"Although I fully acknowledge the restraints within which the Budget had to be compiled, we will have to realise that future allocations for housing directly from the budget will have to be escalated," he said.

In addition, and in the absence of an accepted housing policy and strategy, appropriate mechanisms will have to be found in the short term to ensure continuity in development and housing provision in a way which will as far as possible reduce the negative influences which current subsidy disparities and lack of co-ordination have on development in general.

"If this cannot be achieved, the housing log jam will continue notwithstanding the fact that funds are available, and private sector participation will decline even further," he said.

Fm 27/3/92
TOWNSHIP DEVELOPMENT

On the fast track

Consulting engineer Hill Kaplan Scott (HKS), a leading player in low-cost housing, says only a lack of finance is holding up speedy development of townships for poor people.

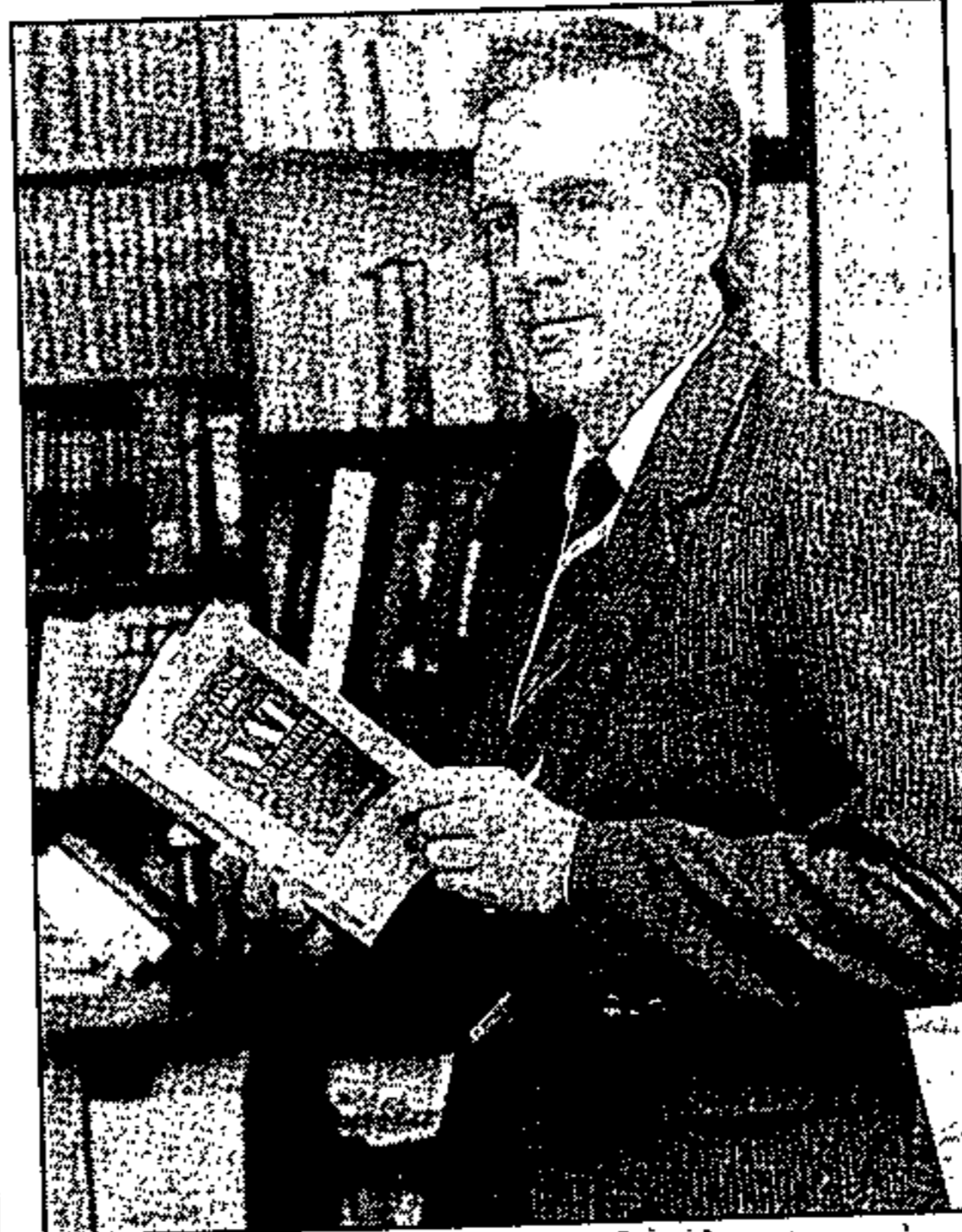
The industry has been at pains to remove all other obstacles such as a lack of community involvement, red tape and inappropriately costly standards of servicing. It wants speedy improvements.

HKS township specialist Redmond Taggart says latest management techniques have reduced workloads that used to take years to months or even weeks. Coupled with this is an unprecedented level of co-operation among all the professional bodies concerned with township development.

Taggart says plans for township development on a massive scale have been drawn up. The Transvaal Provincial Administration (TPA) is committed to providing 315 000 stands for squatters over the next four years and the Independent Development Trust is providing finance for 100 000 stands. Even more land could become available.

HKS's call for urgent action is not dissimilar to that of the TPA, which recently told the *FM* that if private-sector employers were to make loans as low as R2 000 available to employees, shack-dwellers would be able to build at least one room and improve their living conditions.

Taggart estimates that the cost of a serviced site could vary between R2 000 and R5 100, depending on whether the land cost is taken into account. ■



Tax specialist MacKenzie ... measuring the changes

the buyer's cost is lessened; he pays neither VAT nor transfer duty. If the buyer cannot claim an input credit, his cost is increased by 10% VAT, but he does not have to pay transfer duty.

However, if the seller is not a VAT vendor, transfer duty must be paid instead of VAT. So the buyer's cost goes up because of the increases in transfer duty.

If the buyer is registered for VAT and is buying the property for a qualifying purpose, his input tax credit will be reduced by the additional transfer duty — his deemed input tax credit is one-eleventh of the purchase price. ■

income groups (see *Leaders* March 20).

Before the change, people buying property worth R30 000 did not have to pay transfer duty. Above that, duty was 1% on the first R30 000 and 3% on anything over R30 000. Companies paid a flat rate of 5%, irrespective of the property's value.

Exemption has now gone up to R50 000 for property bought with a dwelling or a flat on sectional title and to R20 000 (from R12 000) for vacant property where a dwelling will be erected.

Over these limits, 1% duty must be paid on the first R50 000 and 5% on the amount above that. Companies now pay 7%, irrespective of property value.

According to Ian MacKenzie, a tax partner at Ernst & Young, the effect of the increases must be worked out according to whether VAT has to be paid. If the seller has to charge VAT, no transfer duty is payable — even if the purchaser can claim an input tax credit.

The combined transfer duty and VAT effect thus depends on the VAT status of both the seller and the buyer, as illustrated in the accompanying table.

If seller and buyer are registered for VAT and the buyer can claim an input tax credit,

TRANSFER DUTY AND VAT
FM 27/3/92
Taking account (123)

An unexpected aspect of the Budget speech was the announcement that transfer duty rates were to increase for property acquired on or after March 19. But the exemption limit was raised to help home-buyers in lower

THE BUDGET PROPERTY EFFECT

Seller*	Transfer duty		VAT	Total Cost	
	Was	Now		Was	Now
VAT-registered	—	—	20 000	220 000	220 000
Non-registered	5 400	8 000	—	205 400	208 000

* Non-registered individual purchases a property for R200 000.

Purchaser†	Transfer duty		Deemed input Tax credit	Total Cost	
	Was	Now		Was	Now
VAT-registered individual	6 000	9 000	(20 000)	206 000	209 000
Non-registered individual	6 000	9 000	—	226 000	229 000
VAT-registered company	11 000	15 400	(20 000)	211 000	215 400
Non-registered company	11 000	15 400	—	231 000	235 400

† Non-registered person sells a property for R220 000.

Once a preliminary report was received, a con- said.

Croeser's task group to investigate township debt crisis

THE government has launched a probe into the multi-million rand debt crisis in black local authorities.

(123) ARG 28/3/92
A task group under the director-general of the Department of Finance, Mr Gerhard Croeser, is to investigate the debt which local authorities owe financial institutions and suppliers of bulk services. The group will also probe rent and services debts of township residents.

The Minister of Local Government and National

Housing, Mr Leon Wessels, yesterday told the Council for the Co-ordination of Local Government Affairs that attempts to address the debt crisis with bridging finance were continuing.

But there was a danger that these funds were "being poured into a bottomless pit".

The debt crisis investigation is to be conducted in consultation with local government authorities.
— Political Correspondent and Sapa.

Services cheaper in white areas

CT 28/3/92

Political Staff

123

THE cost of bulk services in white areas was in most cases cheaper per unit than in black areas, the Minister of Local Government and National Housing, Mr Leon Wessels, said yesterday.

He also said some white local authorities had made a profit out of the sale of bulk services such as electricity and water to black local authorities.

A direct connection could apparently be drawn between the boycott actions and violence and the fact that white local authorities made these profits and blacks paid more per unit for these services.

The problems concerning the economic tariffs for services in black areas had only become larger, Mr Wessels said in Cape Town when he addressed a meeting of the Council for the Co-ordination of Local Government Affairs.

The economic tariffs were often not accepted by the black communities, he added.

Eskom to connect

700 000 by 1997

S/Time (Buss) 29/3/92

123

ESKOM is going all out to electrify 700 000 homes in the next five years. According to the corporation's annual report released this week 38 050 homes were connected to the electricity supply last year, and the plan is to connect a further 164 000 this year.

It is proceeding with the programme even though loss of revenue due to non-payment of accounts amounted to R291-million last year. The figure is expected to rise to R390-million this year. Repayment has, however, improved in recent months.

Capital expenditure in the current financial year is expected to be about R2,8-

By DON ROBERTSON

billion. This will be on electrification schemes and the completion of new power stations to which the organisation committed itself in the early '80s.

Between R700-million and R800-million of the capital requirements will be raised overseas, with a further R2-billion from local capital and money markets.

Capital expenditure in the mid-1990s will decline because of surplus generating capacity. The annual report states that foreign loans will begin to play a greater role as a source of funds than in recent times.

Total debt was R27,2-billion at the end of the year compared with R26,6-billion, but finance charges dipped marginally to R3,2-billion from R3,3-billion.

Eskom plans to reduce the



IAN McRAE

cost of electricity to industries by 20% in real terms in the next five years after a 14% decline in the past four years. It says local electricity prices are among the cheapest in the world.

This, says chief executive Ian McRae, will enable large users of electricity such as major manufacturing industries to compete successfully on international markets.

The lower tariffs are expected to stimulate the export of raw materials and manufactured goods, and encourage new investment in energy-intensive industries.

Reliability

This has all been made possible by a substantial improvement in operation efficiency. Administration costs rose by only 7,1%, manpower expenses moved up by 9%, while the staff complement fell to 46 600 from 50 000 in 1991. Productivity has increased, with electricity output generated by each employee having risen by more than 100% since 1985.

At the same time, water and coal consumption per unit of electricity has been reduced and plant reliability has risen substantially.

Announcing much improved results for the year to December, Mr McRae says this boon to the consumer and industry has been made possible by savings of R198-million last year. Efforts to keep coal prices down and savings on interest charges

also helped. Last year net income improved to R988-million from R845-million in the previous year, from turnover which rose to R11,7-billion from R10,7-billion. This pushed accumulated reserves at the end of the year to R10,5-billion from R9,6-billion.

Executive director of finance and services Mick Davis says the increase in income of R143-million was made up largely by an increase in sales and productivity improvements.

The balance-sheet was also strengthened, and fixed assets increased by R1,3-billion while the debt-equity ratio improved from 2,68 to 2,49.

Sales of electricity rose by 1,8% last year compared with a budgeted 0,3% and an increase of 1,4% in the previous year. A further downturn in the economy towards the end of last year and difficulties experienced in the mining industry, which uses about 25% of electricity generated, could mean that sales will rise by only 1% to 1,5% in 1992.

Although demand increased by 1,8%, installed capacity rose by 7,6% and 5 061Mw of capacity was in reserve storage or mothballed. This is expected to be sufficient to meet demand up to the year 2000.

ARG 3/13/92 (23)

Nomalizo provides a black and white service

The Argus Correspondent

DURBAN. — Many more times than she cares to remember, Nomalizo Msomi has been greeted with "awukho umsebenzi" by a white homeowner as she walks up the pathway of a mansion in a Durban suburb.

But there is no need to tell Ms Msomi there is "no vacancy". She is not job hunting.

Noma, as she prefers to be called, holds her own in a job not easily associated with black women. She is a property consultant who specialises in selling homes in plush former whites-only suburbs to wealthy blacks.

Although trendsetting Noma drives a R120,000 German luxury sedan and wears designer outfits when out "in the field", she has been mistaken for anything from a cleaning services supervisor to a housemaid.

"How many times have I been treated like a jobseeker? Thank heavens I am a strong woman and appreciate that change will not come quickly and easily for some people.

"I must add there are many whites who have been marvellous during my dealings with them and some have become firm friends."

Noma was a nursing sister before becoming involved in direct selling.

"After the Group Areas Act was scrapped I found myself visiting rich black families in former white suburbs who were interested in the vacuum cleaners I was selling.

"It was then that I heard pitiful tales of how some unscrupulous white estate agents exploited black buyers.

"Some of these agents had no idea how blacks lived in the townships. They did not know black townships boast some mansions equal in grandeur to those in white suburbs.

"What rich blacks sought in white areas was peace and security. Instead white estate agents would show wealthy blacks tiny, run down cottages and make out they were offering gilt-edged deals."

Noma immediately gave up her job selling vacuum cleaners and joined Patfields Estates — the first property firm in Durban to openly flout apartheid laws by selling white-owned property to blacks while the Group Areas Act was still in force.

In the past six months Noma has sold property worth more than R8 million and has potential buyers queueing up to purchase homes worth between R500 000 and R2 m.

"My problem is that there just aren't enough sellers. Property owners don't easily remember the market is now open and continue to think only in terms of the white market."

Noma said when a buyer asked her to find a suitable house she would do her homework so thoroughly that she rarely needed to show a family more than three houses.

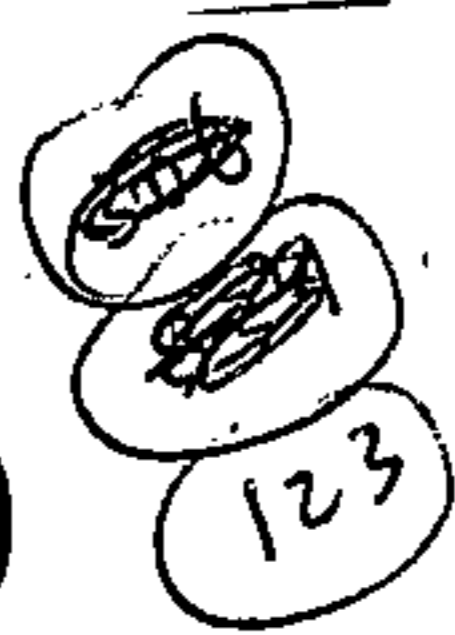
"I first take a family to the house I think best suits them. Often they want to see two or three more, but most times they will settle for the one I showed them first."

Noma said she had never had problems with white sellers — only from their neighbours.

"White sellers don't worry about who is buying. All they are interested in is the money. The colour of money is the same, whether the buyer is white, brown or black.

"I recently did business with a man who was wearing a khaki uniform. He had just returned home, hot and sweaty, after taking part in the AWB march in Durban. That was one of my best deals."

New ideas at housing XPO



Dowefan 31/3/92

By TSIDI THINANE

THE second "Affordable Housing and Technology XPO" will be held at this year's Rand Easter Show.

The exhibition puts together all the components of an informal settlement and physically demon-

strates what could be done to address the shelter and related needs of low income communities.

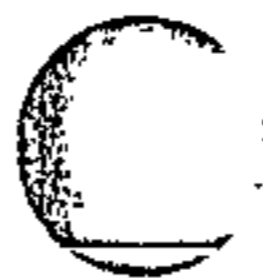
A range of new and inno-

vative housing systems, costing from R2 500 and more, would be displayed. These systems are to service people who cannot afford to enter the conventional "brick and mortar" housing market.

The houses can be upgraded on an ongoing basis.

The exhibition will demonstrate many exciting new products and concepts from the latest credit card home electricity metering systems which allows the user to monitor his electricity consumption as well as water heating devices, solar powered street lights, water pumps and toilets.

Fifteen companies and organisations will participate in the XPO.



HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

123

Housing assistance to Indians

19. Mr K CHETTY asked the Minister of Housing:

What amount was spent by the State in respect of housing assistance to the Indian population group in the latest specified financial year for which figures are available?

D77E

The MINISTER OF HOUSING:

In the 1990-91 financial year R181 119 418 was expended in respect of departmental and local authority housing projects from the Housing Development Fund and R17 200 000 from voted funds in respect of the First Time Home Owners' Subsidy Scheme.

HOUSE OF ASSEMBLY

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Mobile courts

*1. Mr J J S PRINSLOO asked the Minister of Justice:

- (1) Whether he will comment on the legal validity of the procedures followed in the functioning of the mobile courts which were put to the test at the end of 1991; if not, why not; if so, what are his comments;
- (2) whether these courts were operated on a sound financial basis?

B469E.INT

*The DEPUTY MINISTER OF JUSTICE: Mr Speaker, on behalf of the hon the Minister of Justice my reply is as follows. Firstly, the procedure that was followed in the functioning of the mobile courts was in accordance with the law. The places where the mobile courts held sessions were determined in terms of section 2(1)(h) of the Magistrates' Courts Act as places in existing magisterial districts for the holding of court sessions. The Government notices in this regard, with which the State legal advisers complied, were published in the Gazette in terms of section 2(1) of the Magistrates' Courts Act. I refer in this regard to Gazette 13691 of 12 December 1991.

The courts functioned like any other court in the country which was instituted in terms of the Magistrates' Courts Act. Magistrates, prosecutors, clerks of the court and interpreters were on duty at the courts, and rules of criminal procedure, the law of evidence and other procedures were complied with. The Legal Aid Board made legal representatives available to the courts to give the accused legal advice, if they so desired. Secondly, mobile courts were conducted on a sound financial basis. A proper infrastructure was created in that a clerk of the court was made

available for the receipt of fines and bail, the takings being duly accounted for on instructions of the Treasury by means of receipts, the moneys securely locked in a steel cabinet, paid daily to the accounting departments of the seats of the local courts and accounted for in cash books and banked at the earliest opportunity.

Supplementary to the reply of the hon the Minister of Justice to Question 2 on 4 February 1992, I should like to point out that the administration of justice is not a commercial commodity. The functioning of the administration of justice cannot depend upon a profit and loss account in which rands and cents are a consideration. Court cases cannot be quantified in advance, and the number of court cases brought to court and their duration can similarly not be determined in advance.

If costs really have to be a consideration in the administration of justice, consideration will have to be given to abolishing periodic courts in remote places and places which are geographically difficult of access. In this regard examples such as Tom Burke and the Saamboubrug in the district of Potgietersrus may be mentioned. There are 182 of these periodic courts in the country.

An aspect that I want to emphasise supplementary to the hon the Minister's previous reply is the value of the additional measures which were instituted in the field of the administration of justice. From April 1991 to February 1992 in night courts alone 8 608 cases were heard, on which 4 395 judicial hours were spent. Gauged at a norm of 1 000 hours per court per annum this figure represents 4,39 courts for which it will be unnecessary to incur expenditure for an increased staff complement and the creation of capital-intensive court facilities. [Time expired.]

*Mr J J S PRINSLOO: Mr Speaker, I am sorry that the hon the Minister is not here himself to deal with this interpellation because what I am going to say also applies specifically to actions of the hon the Minister. When I put questions to the hon the Minister at the beginning of this year's session for information on mobile courts, he was clearly tense, nervous and completely overreacted. At that stage I wondered why. The information that has since come to my attention with regard to the procedures followed at these mobile courts and the financial implications of

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The Argus Correspondent

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DURBAN — For Daad - 9ct rubvrbna

Take things into

Your own hands

STAR 3/13/92

123

123

SPRUCE UP

Homeowner blues is a common ailment as high mortgage interest rates continue to depress the market. But you don't have to buy a new house to live in a new home. PAULA FRAY reports.

THAT roof over your head doesn't have to be stuck on top of four boring walls.

You can make the most of your home with little more than elbow grease and imagination.

Tightened belts and the high cost of skilled labour mean more and more homeowners are doing their own renovations. With a bit of imagination even the most mundane home can be spruced up.

So don't wait for spring before clearing away the dust and noticing the marks on the wallpaper, the chips in the paintwork or the stains on the ceiling.

Johannesburg estate agent Liz Coleman says sellers often see their homes in a different light once they have been spruced up for a show day.

"Someone who is ready to put a house on the market will say: 'Now why didn't I do this for myself?'" says Mrs Coleman.

The first thing homeowners need to do is distance themselves from the house and make an objective, cold, calculated list of what can be done and what they are prepared to do.

"It's like preparing for

a wedding day ... you want to make the most of your home," she says.

The first thing is to get rid of accumulated junk. Painted surfaces should be cleaned. Ensure all the doors are varnished or painted and all the hinges are in working condition.

Good-looking doorways are appealing, says Mrs Coleman.

She says homeowners should isolate what needs to be repaired or replaced; items such as curtain rails and fittings are inexpensive to replace.

Sandton branch manager of a leading estate agency Barbara Bowes suggests that homeowners prepare their homes as if they are going to have a show day. A fresh coat of paint "works wonders".

Outside, the garden has an important role to play. Bring in some colour — and you don't have to buy expensive plants for this. Put up hanging baskets or hand-paint existing pot plant holders.

Then homeowners need to get around to the job jar and do all the repair work being put off for another day.

"You need to see to the general maintenance and get rid of all the rub-

ble ... when all this is cleared away it gives the house a lift," says Ms Bowes.

By spending time on your home you save money on entertainment while improving the value of your home. Talking to friends whose homes are in good shape helps, she says.

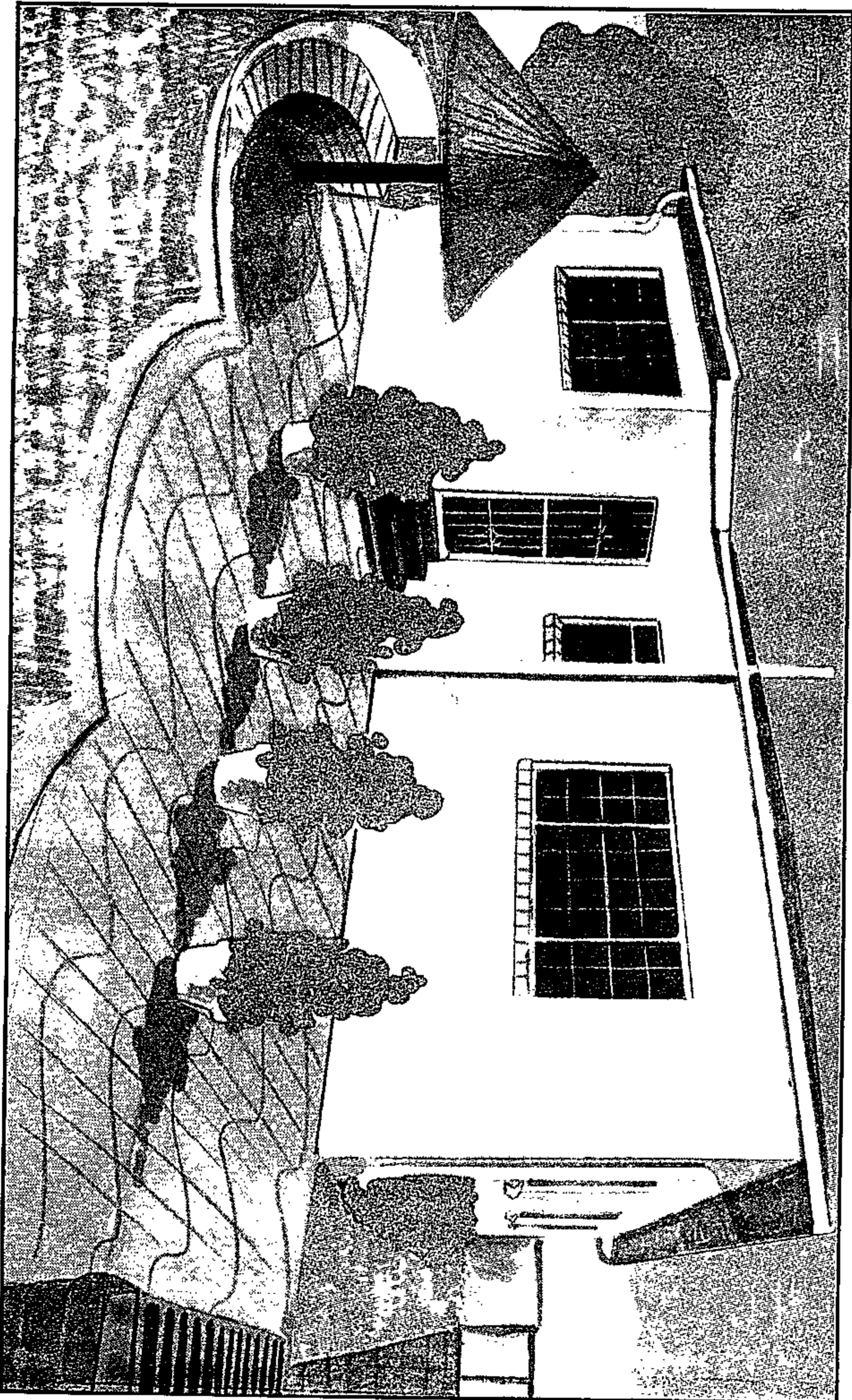
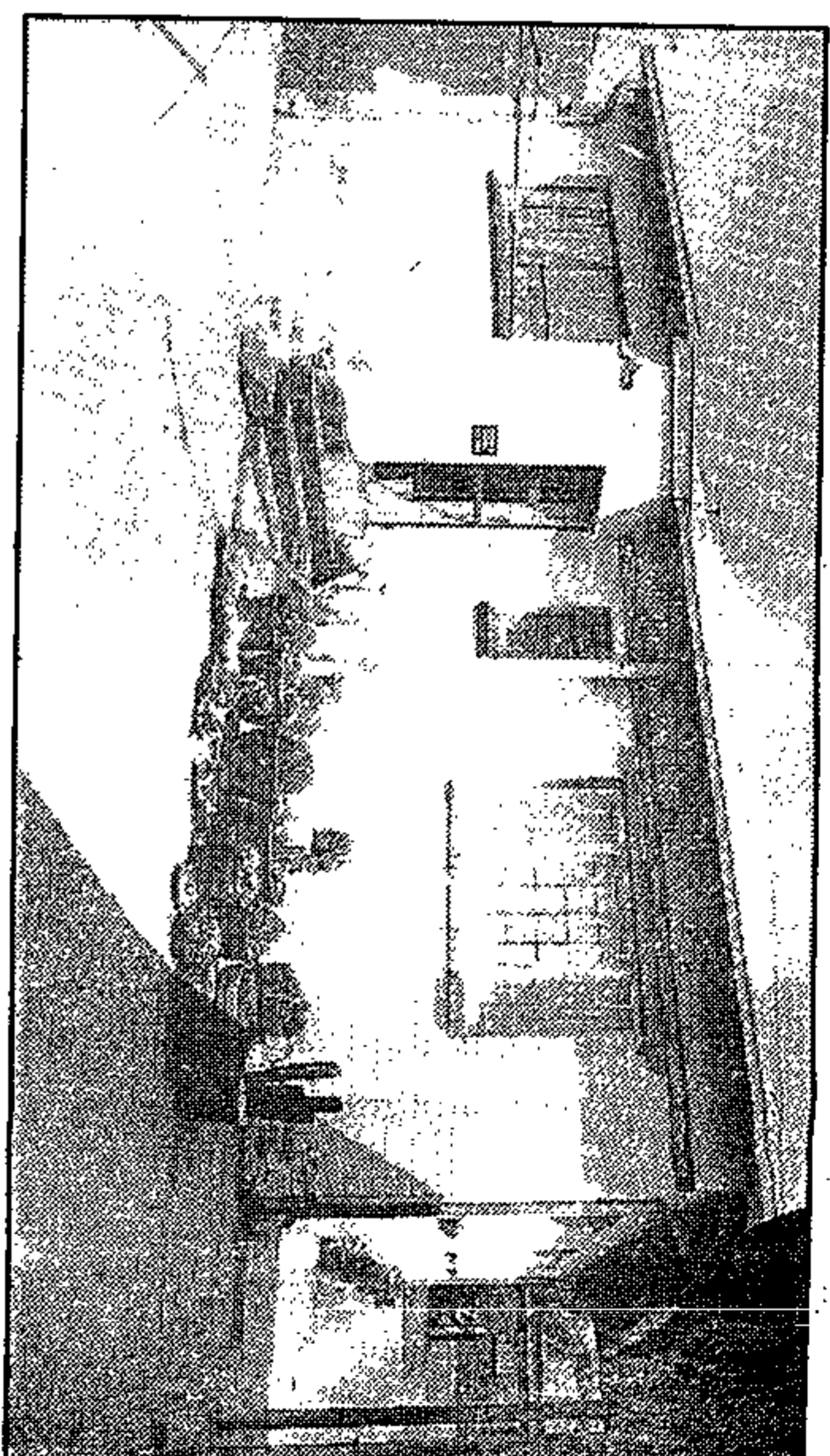
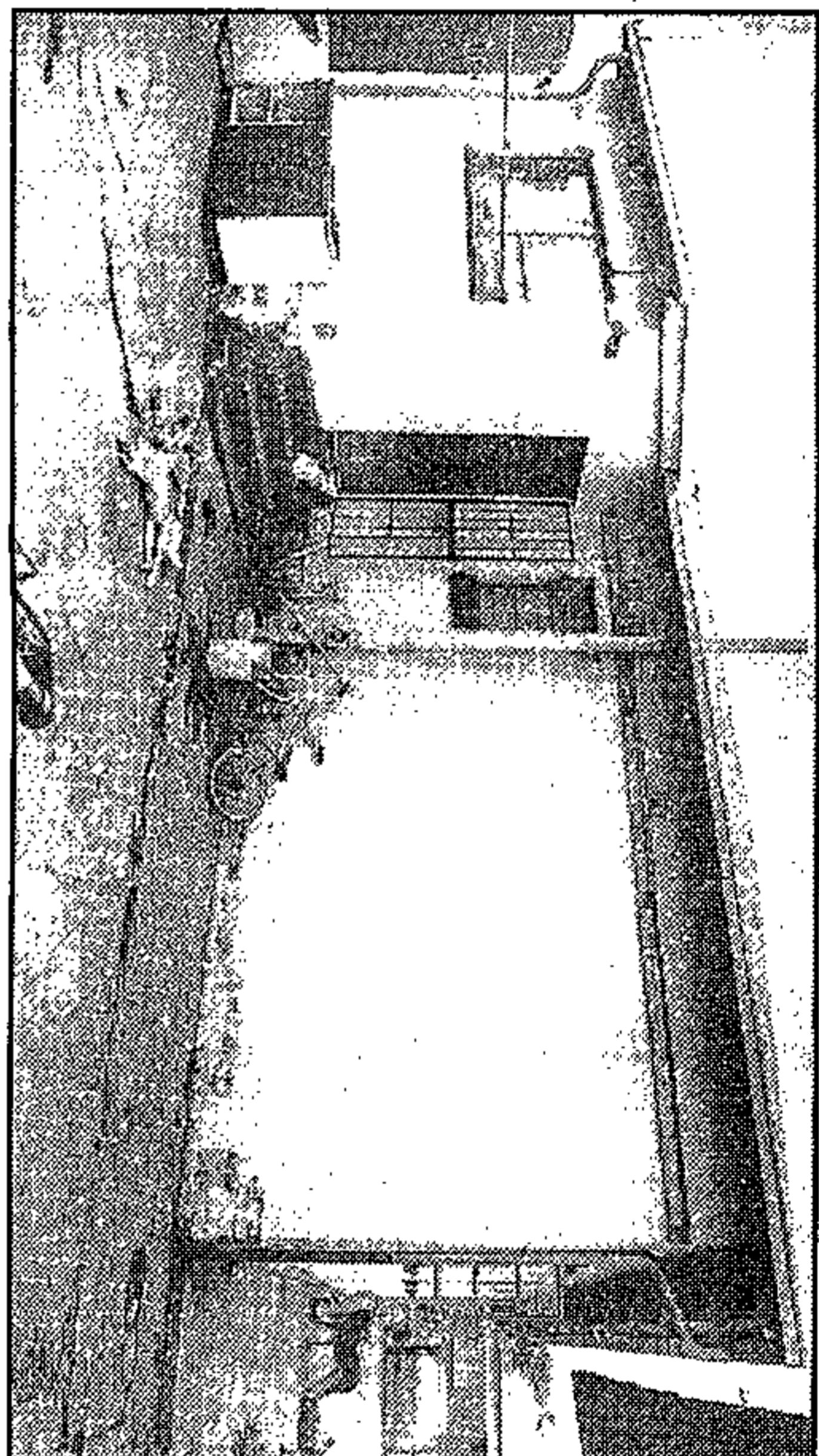
One new homeowner found herself with an odd combination of steel and pine kitchen cupboards. However, when they were given a good coat of the same colour paint, a feeling of a fitted kitchen emerged.

Another homeowner swears that if you are going to redo anything, especially tiling and painting, you should keep the colours neutral to highlight colours of fittings such as curtains.

If a door is not necessary — for example a lounge door that is seldom closed — consider removing it permanently to give more space.

Curtains should be kept light to let in sunlight and avoid a dark, dingy feel.

And, as for those dust collectors — ornaments which have piled up over the years — consider sitting them out and donating unwanted ones to charity fetes.



Working a transformation ... top left: the daunting task of cleaning up and renovation lies ahead. Top right: things begin to take shape as the rubble is removed, potted plants are laid out on the cemented area and a window is added. Left: an artist's impression of the homeowner's future plans to lift the concrete, plant grass and flowers and re-style the backyard as an entertainment area.

Govt ready, but problems plague low-cost housing

STAR 31/3/92

123

By Shirley Woodgate

The Government has budgeted R3,3 billion to catch up on South Africa's massive housing backlog — estimated at 200 000 units a year for the next 10 years — but doubts have been expressed about the availability of suitable low-cost housing models.

Housing consultant Philip Hamm said: "A vast range of homes costing between R5 000 and R10 000, as well as materials and expertise, are available to accommodate millions of people in South Africa's poorer sector.

"But there can be no progress in addressing the housing crisis before financial organisations make funds available, subject to security being

provided by the prospective homeowners."

Reviewing the choices, he said brick houses were the cheapest and most popular type of low cost unit, despite innovative advances in building techniques to meet the housing needs of some five million homeless.

This became clear at the recent Golden Highway Housing Expo, regarded as a landmark in the evolution of low-cost housing.

The exhibition was launched by the Department of Planning, Provincial Affairs and Housing near Orange Farm, south of Johannesburg, where various types of houses went on show on 100 stands.

Units were suitable for families with total incomes from R700 a month — comprising about 75 percent of the population working as gardeners, house ser-

vants and messengers — Mr Hamm said.

The homes were not subject to the national building regulations and stands were supplied with minimum services: dirt roads, water from taps on every eighth stand and septic tank sewerage systems.

The cost of the housing units ranged from R111/sq m to R357/sq m.

Certain facts and fallacies about low-cost housing surfaced:

● Fact: Brick and concrete masonry houses were by far the most popular choice among prospective buyers.

The winning entry judged by votes cast by the public was a R10 000 52 sq m four-roomed concrete/face brick/masonry house which attracted 9 000 orders within three weeks. The runner-up house was a R5 000 21 sq m concrete masonry unit.

● Fallacy: Brick houses are not more expensive than other types of industrialised building. In fact, single skin (one solid outer wall) 150 mm thick, opposed to the conventional 220 mm cavity wall brick houses, were among the cheapest on show.

● Fact: Timber-frame units were very cost-effective. The cheapest homes on display were made from timber board cladding at R111/sq m.

But they were not windproof without insulation, and once they were lined with gypsum board inner linings the price increased to more than that of brick.

● Fact: The cheapest houses were built by local African builders. They had community approval as they created job opportunities for out-of-work trained and skilled builders.

NEWS IN BRIEF

Township aid ended

THE Pretoria Regional Services Council is to terminate financing of an upgrading contract for Atteridgeville township, which includes the installation of "budget energy control" meters.

A spokesman said the decision was taken following opposition to the meters, which were installed because they allowed residents to control electricity bills and eliminated complaints of inaccurate meter reading. He said obstruction by residents had jeopardised the project. The local residents' organisation had failed to convince residents not to hinder the installation of the meters.

Sanco to convene 123

THE newly launched SA National Civics Organisation (Sanco) would convene for the first time on April 11, Civics Association of Southern Transvaal general secretary Dan Mofokeng said yesterday. Sanco, launched in Uitenhage earlier this month, is headed by Numsa general secretary Moses Mayekiso.

Concern for minorities

US ambassador to the UN Andrew Young yesterday said SA minorities would have to be protected in any negotiated constitution. He is in SA as a member of the International Olympics Committee.

Minister appointed

CAVENDISH MP P I Devan has been appointed Housing and Agriculture Minister in the House of Delegates Ministers' Council with effect from April 1.

REPORTS: Sapa, Business Day Reporter.

Zimbabwe trade delegation to visit

By Day 31/3/92
MICHAEL HARTNACK

HARARE — In the first initiative of its kind since independence in 1980, Zimbabwe is dispatching a 30-member trade promotion delegation to Johannesburg next week.

"Now that SA is firmly moving on the road to becoming part of the international community, it is essential it does not see the southern African region only as a market for its products," said Zimtrade's director of export development, Mike Humphrey, who is organising the visit.

"If South Africans are to trade with the region, they (should not) make the mistake Zimbabwe made in 1980 with its neighbouring countries

"We managed successfully to antagonise almost all our trading partners in the region by running up sustained trade imbalances in our favour.

"SA really has to learn from that," he said.

Humphrey said Zimtrade, which had recently taken over the trade promotion functions in the trade and commerce ministry, believed the Zimbabwean economy was well placed to supply the middle income group who were generating more wealth as a result of recent changes in the country.

The delegation arriving in Johannesburg next week would contain representatives from 26 companies in the clothing and textiles sector, the footwear and leather sector, the furniture and wood products sector, and the processed food sector.

"We have proved to be competitive in these SA markets with these products," Humphrey said.

He noted SA remained Zimbabwe's largest trading partner. In 1990, the volume of visible imports and exports exceeded R1,2bn.

Zimbabwe's trade deficit in that year was more than R500m in SA's favour.

Observers here note the state-run Zimbabwe Broadcasting Corporation is for the first time sending a camera crew to Johannesburg to accompany the delegation. It is believed this has cabinet approval.

While in Johannesburg, the Zimbabweans will be meeting their counterparts in Safto and JCCI.

Negotiations on Zimbabwe's proposed new trade agreement with SA have been continuing in Pretoria.

At independence in 1980, President Robert Mugabe inherited Rhodesia's 1964 vintage pact with SA, which now needs urgent updating in view of changes in the two economies in the intervening years.

Although Mugabe has given no hint of relaxing his longstanding ban on contact at ministerial level with the SA government, dispatch of the delegation raises relations to a new level.

Senior finance minister Bernard Chidzero has acknowledged that expanding Zimbabwe's trade links with SA is essential for the success of Zimbabwe's R32bn economic structural adjustment programme, supported by the World Bank.

By Day 31/3/92

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Development of low-cost housing sites given boost

B/Dam 2/4/92 SHARON WOOD (123)

DEVELOPMENT of low-cost housing sites was given a boost yesterday by the successful private placement of R120m in unlisted debentures issued by Land Investment Trust (LIT) to institutional investors.

The funds are to be used to buy raw land and to provide bridging finance to community developers for site-and-service land, including land subsidised by IDT capital.

"Unlike the major developers such as Murray and Roberts and LTA, community developers need bridging finance because they cannot wait to get the money at the end of a site's development," said UAL senior manager Daan Wandrag.

The LIT debenture issue, the first of its kind, was taken up by the pension funds of AECL, Anglo American Corporation, De Beers, Eskom, Everite, Fedlife, Metal Industries Group, the Old Mutual, Sage Life and Sanlam.

"The intention is to raise further tranches when required," said UAL GM Leon Kirkinis. UAL Merchant Bank was commissioned by LIT to raise R175m from institutional investors.

Investors would receive either a floating rate based on the Eskom Capital Project Bill rate and reset every six months, or a fixed interest rate, Wandrag said. Of the R120m raised, R50m would be used to finance land holdings and the balance would be used to finance the development of land.

Innova, a subsidiary of the LIT, would buy land well in advance and hold it until development to prevent land speculation.

LIT is a non-profit financing organisation specifically established to be a catalyst for an effective land delivery process. It is a subsidiary of the New Housing Company, an independent national housing agency established during restructuring of the Urban Foundation.

Soweto call to resume rent boycott

Own Correspondent

JOHANNESBURG. — The Soweto Civic Association yesterday called for the resumption of the national rent boycott.

The SCA's general council — supported by representatives of the ANC, SACP, Cosatu and the Civics Association of the Southern Transvaal — decided on the call on Wednesday night.

Last night the SCA walked out of a Greater Soweto Principal Parties (GSPP) meeting.

It said the boycott, suspended in September 1990, would be lifted only if all black councillors in greater Soweto were removed, the Johannesburg City Council took over the financial administration of the region and township violence was ended.

The GSPP, formed in terms of the Greater Soweto Accord of 1990, includes the town councils of Soweto, Diepmeadow and Dobsonville, as well as the SCA and the Transvaal Provincial Administration. It aimed to resolve the councils' financial crisis.

The walkout signals the end of the GSPP and threatens both the Greater Soweto Accord and the Central Witwatersrand Metropolitan Chamber's plans for negotiating a new metropolitan structure.

In a statement yesterday, the SCA said the TPA's failure to improve service levels in the Soweto townships and continued allegations of black local authority corruption and mismanagement had forced the resumption of the boycott.

Water tariffs set to shoot up

(123) CT 4/4/92

Municipal Reporter

WATER tariffs are expected to go up by 15%, excluding VAT, from July 1.

A report before the Utilities and Works Committee yesterday suggested that this should happen, but the committee did not discuss it.

The matter was postponed until next Friday, when budget estimates in general will be considered.

City treasurer Mr Eddie Landsberg and city engineer Mr Arthur Clayton jointly prepared the recommendation to the committee, so it is likely that it will go through when it is discussed.

Water supplied to homes within the Cape Town municipality presently costs 73c per kilolitre (kl)

for the first 30kl, and it is proposed that it will go up to 84c, a 15% increase.

For the next 100kl, the tariff would go up from 97c to 112c/kl, and usage above that goes up from 122c to 140c/kl.

Water supplied to factories within Cape Town will cost 127c/kl, instead of the present 110c. Sporting bodies will be charged 89c/kl instead of the present 77c.

Schools, training colleges, hospitals, nursing homes, maternity homes, clinics, convents, churches, halls, institutions and government departments will be charged 127c/kl instead of the present 109c/kl.

Consumers outside the municipality, but still supplied by Cape Town, pay a 25% surcharge unless

a special agreement has been entered into with the council.

Water consumption is expected to grow by five percent in 1992/3.

This year, R7,5 million has been spent on the Glen Garry-Blackheath water augmentation scheme and R56,9m on the Rivier-sonderend/Palmiet Scheme.

Ten percent of the funds collected from water bills in the municipal area go towards relieving the burden of rates. This amount is expected to increase from R9,5m to R10,5m in the forthcoming year.

● The city council's crackdown on electricity bill defaulters has not yet started in earnest.

Deputy city treasurer Mr R G Grace said the council's capacity to cut off defaulters has not yet been increased as planned.

Houses cost 24% more ⁽¹²³⁾

THE price of houses rose by 24,5% last year, says Multiple Listing Services. ^{SI Times (BUS)}

The price of the average house rose to R126 924. The highest increase was in Cape Town where the average price of a house rose to R167 480. ⁵¹⁴⁹²

Prices in Johannesburg rose by 17,3%, 14,5% in the Border area, 11,5% in the Eastern Cape and 9,8% in Pretoria.

Giving a lesson in confidence

INDEPENDENT DEVELOPMENT TRUST

STAR 7/14/92

(23)

The R2 billion Independent Development Trust has become best known for its work on the housing crisis and the provision of more and better education and health services. It is also showing its talents as an invisible peacemaker at community level, reports MICHAEL CHESTER.

THE CHANCES of success must have looked remote when Neil Otten arrived a few months ago at Ikageng, the sprawling black township outside Potchefstroom, to try to create an element of harmony at community level.

As social consultant to the Independent Development Trust (IDT), covering the western Transvaal, he was assigned to delve under layers of discord and somehow persuade all the factions to sit around the conference table and start mapping out a new future.

At the outset of the launch of a R750 million programme to tackle the worst pockets of the black housing crisis, the IDT had put Ikageng among about 100 black poverty zones around the country in most desperate need of help.

Mr Otten found abundant evidence of the urgent need for assistance. The problem was how to motivate the community to pledge full co-operation and real involvement in an action programme.

The IDT had already proved its diplomatic prowess as a peacemaker in its exercise with the Development Bank of Southern Africa to find neutral ground where even the ANC and Inkatha had room to reach agreement to join in the launch of the National Housing Forum — a mission that had been widely regarded as impossible.

Its peacemaker talents had also succeeded in defusing hostilities in a number of unrest spots elsewhere — at any rate long enough to put development schemes ahead of factional squabbles.

Even so, Neil Otten could easily have been daunted by the classic signs of social conflict that compounded problems on this particular assignment. The Ikageng Town Council, like many other black councils, had long collapsed in political turmoil. Municipal affairs were now in the hands of a white official sent in by the Transvaal Provincial Administration to fill the vacuum.

The large block of township hostels, once packed with workers who committed to jobs in Potchefstroom, lay in ruins — devastated by a series of riots.

There were even tensions inside the "People's Delegation" that now claimed to be the true representative of the community — with members drawn from the local civic association, church and women's groups, and the ANC Youth League.

All hope of finding a catalyst to motivate a new community spirit rested on an IDT project to provide Ikageng with 700 or more subsidised house stands to relieve the plight of the most impoverished families in the township — all equipped with basic water and sanitation services and to be delivered at no cost to the new owners.

It was IDT insistence on community involvement in the project, particularly in the actual allocation of the 700 serviced sites, that persuaded all sides to shelve their differences, at least temporarily, in the interests of Ikageng as a whole.

Once the burial of hatchets had started, the next step seemed purely logical: the creation of what has been named the Development Forum, where the People's Delegation and the remnants of the local authority

could sit down in negotiations to iron out community issues.

"The IDT," says Mr Otten, "was already well underway with its longer-term objective — to create confidence inside communities so that they themselves had the chance to make the key decisions about their future."

"Ikageng had a brand new confidence as soon as they saw the community itself was having the final word in the housing project. It unlocked a whole new world."

The IDT, staying as invisible as possible, was on its way to yet another success as peacemaker, showing how socio-economic development should take priority when the future of a community was at stake.

All of a sudden the Development Forum had a full agenda of more issues that needed to be tackled. In weeks, it was thrashing out new ideas about what to do with the hostel block — try a salvage operation, or flatten the wreckage and find alternative uses for the site?

Next came the question of town planning and the location of the best available land for future housing initiatives.

Channels have been opened to discuss proposals about the creation of a new 10 000 ha game reserve bordering the



Peacemaker . . .
Neil Otten at work in his office in a restless search for solutions to frictions at community level, to clear the way for new development projects.

area — long viewed with suspicion but now seen as a potential benefit to the community.

TPA funds had been allocated for the creation of two new clinics. Now the Development Forum believes it can have a say in where they are located and how they are designed and constructed.

All of a sudden the Development Forum had a full agenda of more issues that needed to be tackled. In weeks, it was thrashing out new ideas about what to do with the hostel block — try a salvage operation, or flatten the wreckage and find alternative uses for the site?

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Channels have been opened to discuss proposals about the creation of a new 10 000 ha game reserve bordering the

down-to-earth way he sets projects in motion.

Next, the forum has drawn in a local church welfare group that has been planning the provision of creches to take care of the children of parents with jobs. How can the creche scheme be tailored to fit alongside IDT proposals about a new approach to pre-school education at community level?

Inevitably, the issue of new schools has come on the agenda. That brings Ikageng to tune in once again to the matrix of IDT development programmes that are breaking new ground.

Professor Merlyn Mehl, director of the education programme, has already outlined a nationwide R300 million scheme to build a staggering 40 000 new

classrooms where they are needed most.

His radical new thinking is acting as an inspiration to hundreds of communities as they lay their development plans.

For example, Professor Mehl envisages major breaks with traditional thinking when he talks about new schools being the cornerstone of community centres that will bustle with activity from dawn until late into the evening — weekends too.

Why not make provision not only for primary and secondary school education levels, but also include educate facilities for pre-school toddlers? When school hours are over, why not use the classrooms for adult education sessions running into the evenings?

Why not use the school hall seven days a week as a civic centre for community meetings, recreation, entertainment? And why not leave the school sports fields open for the whole community to use?

"Ikageng has learnt there are many crucial decisions about its future that perhaps, for the first time, the community can make itself," says Mr Otten.

"The IDT — via its initiatives in housing and education and health services — is striving to bring together even the most divided communities and show them what can be achieved if they set the wheels in motion.

"We have no intention of abandoning our interest and making a quick exit once a particular project has been com-

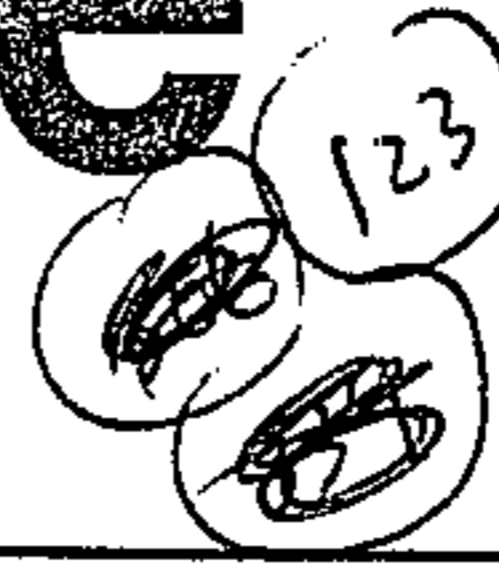
pleted. Instead, we try to show communities how to take on the basic responsibility of development planning themselves and build confidence in longer-term self-reliance.

"No one can lay down a set formula on how problems should be tackled. A solution in one community may not necessarily be a success elsewhere. We stay as invisible as possible — but on hand with ideas and possible guidelines.

"Our ambition is to win the trust of communities as advisers and help to cultivate confidence that, even with strict limits on resources, they can stand on their own feet and make many key decisions themselves on which route they want to take to shape a new future." □

Shortage changes climate

*Some few
9/4/92*



THE housing shortage, estimated to be 1,2 million units in South Africa, creates a climate where potential home buyers are keen to get houses that they often look at financial packages available, and not necessarily at value for money.

Some organisations in the building industry prepare very attractive packages at first sight, but on thorough investigation it has been found that these packages might have various disadvantages, either in terms of eventual payments for their whole project, or in terms of size, number of rooms or finish.

This is the opinion of the general manager of Anvacon Limited, Mr Johann Marx, who said that building systems differed tremendously at present, and it was extremely important to establish which methods of building were used before signing a contract.

He warned potential homebuyers to do their finance through known institutions in order to protect their interests.

These institutions will be eager to visit the site and give advice, he added.

The critical shortage of homes in South Africa, especially in the PWV, is estimated by the Urban Foundation to be 1,2 million units (excluding homelands), according to the latest South African Institute of Race Relations 1991/92 survey.

The institute says estimates of the

By JOSHUA RABOROKO

number of informal settlers in 1991 varied from 3,5 million to 7 million.

Marx said that a badly constructed brick house could cause immense problems in the long run.

What might seem to be relatively maintenance free construction, might turn out to be expensive in the long run.

Many different new building methods have been developed over the past few years, Marx said, but some of these building methods have also proved to be unsuccessful due to the type of material used.

When considering a conventional building method, the type of bricks used and the method of construction became very important.

He advised home buyers to:

- investigate and compare the different building methods before deciding on a house.

- do the finance through a known bank or building society.

- make sure the material used is durable, fire resistant, and complies with building regulations, if you build a prefabricated house.

- rather start smaller and more durable, than big and not durable.

STAR 11/4/92

House price upswing 'by the year-end'

(123)

WITH property investors being bombarded with mixed signals, here comes more advice concerning the outlook for residential property, this time from Rob Lee, chief economist at the Board of Executors.

Writing in the latest BOE Investment Outlook, he says: "The current tough conditions in the property market may continue for several more months, but with a renewed economic upswing now imminent in our view the turnaround in the property and rental cycle should be evident by year-end.

"Time may therefore be running out to take advantage of the relatively cheap recession-induced prices available in the property market," he says.

Lee, a former chief economist at Old Mutual, is also confident that inflation is heading toward 12 percent by the end of the year, thanks to stringent monetary policies.

By Desmond Blow

THE NEXT South African government faces an almost impossible task, providing adequate housing for the increasing number of homeless.

More people are sharing accommodation and more informal settlements are mushrooming as the housing crisis worsens.

Research by the Urban Foundation in townships in the PWV area showed that an average of 10 or 11 people live on one stand in a township.

Six people live in a (formal) house and an average of three to four people live in the backyard of the house.

In many cases two or three families share a hostel room designed for two people, while more than one million men live in 440 000 beds in 220 hostels countrywide.

These figures are quoted in the Race Relations Survey 1991-1992, an annual encyclopedia of data and projections of SA's economy, population, housing, labour, education and other fields.

According to the U.F., working on an average household of 6.5 people, there was a shortage of 1.2 million housing units in SA in 1990, of which about 47 percent were in the PWV area, 20 percent in the Durban area and 10 percent around Cape Town.

By the year 2000 basic services would have to provide for an additional nine million people in the urban areas alone.

The U.F. estimated by the year 2000 there would have to be sufficient housing to accommodate 48 million people, of which the black population would number 37 million compared with 28 million today.

If everyone was to have accommodation by 1995 an average of 174 000 houses had to be built every year.

Millions face homeless hell

C/press 12/4/92

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NO PLACE TO STAY ... Millions of people in SA have no home to call their own and the crisis is getting worse.

In May 1991, then Minister of Provincial Affairs and National Housing Hennis Kriel claimed some of the major obstacles to the provision of housing were:

- The inability of the government to finance the buying and development of land for housing;
- The inability of the majority of the black population to afford conventional housing; and
- Increased urbanisation.

Research by the Development Bank of Southern Africa revealed that between 60 percent and 80 percent of urban blacks could only afford about nine percent of their income (between R35 and R75) a month for housing, which meant that most blacks could not afford formal housing without heavy subsidisation. Between 1985 and 1991 the population in the metropolitan areas increased by 2.8 million.

Durban is the fastest-growing city in the southern hemisphere and there are three million people in the area at present, but by the year 2010 the population would reach between eight million and 10 million, according to research by a professor at the University of Natal.

He found the reason for this was the scrapping of influx control and the worsening economy. People flocked to Durban in the hope of finding work. One survey found in May 1991 that as a result of such rapid growth in Durban about 1.7 million people, or more than half Durban's population, were living in shack settlements surrounding the city, many of them unemployed.

The economy of Natal could only absorb 58 percent of the 2.3 million active population at present, of which the formal sector could only absorb 36 percent.

In the PWV area the total population, according to the Urban Foundation, is 7.2 million and this would increase to 12.3 million by 2000. In 1989 the economically active population of the PWV area numbered four million and the formal economy could provide employment for 61 percent while the total absorption capacity of the region was 90 percent. There were 1.3 million

informal settlers in the PWV area in June 1991 of whom 900 000 lived in backyard shacks. To house these people will cost R300-million, plus a further billion rand to provide rudimentary services.

In the Port Elizabeth-Uitenhage area the average growth of the metropolitan population has been five percent compared with two percent in the rural area and the urban population in 1989 totalled 1.5 million.

This area depended greatly on the motor industry which declined substantially in 1985 and 1986, says Professor WJ Davies of Rhodes University.

In 1989 the proportion of people unemployed in Port Elizabeth was 27 percent and in Uitenhage 21 percent. Registered unemployment in the Eastern Cape in April 1991 was double that of 1990.

The Eastern Province Herald reported that one of the reasons was that out-of-work miners had migrated to the area in search of work.

About 45 percent of the black population in Port Elizabeth live in informal settlements.

In 1991 Cape Town was the only city in SA where the white population outnumbered the black population.

In 1985 blacks accounted for only 20 percent of metropolitan Cape Town's population, but this would likely increase to about 28 percent by the year 2000.

The U.F. said most of the newly urbanised black population was housed in informal settlements on the Cape Flats and the conditions were unusually harsh. A study by the University of Cape Town revealed in 1991 that there were more than 60 000 shacks in the Cape Town area.

8/15/92 (123) (88)

Eskom pledges to make electricity cheaper

ESKOM was committed to providing electricity to a further 3-million homes and would also reduce the real cost of electricity by 20% over the next five years, CE Ian McRae said yesterday.

He said the electrification of 3-million homes over the next five years would create about 1-million jobs which would increase the GDP by 2% or 3%.

McRae said Eskom had the resources and infrastructure to meet any growth likely to take place within the next 10 years.

Electricity was necessary for economic growth. Only 30% of SA homes and less than 10% of homes in the southern African region had electricity, he said.

McRae said the fact that each local authority in SA supplied electricity locally had created problems for Eskom which was still a bulk supplier.

The inefficient supply and the lack of trust of the consumer in the local authorities had led to electricity being politicised and payment boycotts had resulted.

"We must address the reasons for non-payment as soon as possible." — Sapa.

PROPERTY

Townships can be built 'within weeks'

Blomay 15/4/92

IT IS possible to reduce the time it takes to develop a new township from years to months or even weeks, said national consulting engineers Hill Kaplan Scott, a player in low-cost residential development.

Hill Kaplan Scott's Redmont Taggart said development could be accelerated by using the latest project management and computer-aided design techniques.

"We have found the main obstacles to fast track development to be finance, red tape and lack of community involvement, all of which are interrelated. Also, different standards of servicing required by different municipalities cause unnecessary delays," Taggart said.

"Nevertheless, it is encouraging to note that more appropriate standards of township development are now acceptable to various bodies and communities.

"Providing local authorities are genuinely involved from the outset, delays caused through red tape can be cut to a minimum."

The need for the rapid development of townships was extremely urgent and plans for township development on a massive scale had been drawn up, Taggart said.

The Transvaal Provincial Administration was committed to providing 315 000 stands for residents of squatter camps and the Independent Development Trust was providing finance for 100 000 stands.

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PETER GALLI

Given the urgency of the situation, underlined by the Zevenfontein squatter problem, the protracted process of normal township development should and could be tightened up considerably, he said.

Technically there was no reason why it could not be done. There was excellent co-operation between local consulting engineers, town planners, geologists, land surveyors and other professional bodies.

Taggart said close co-operation with communities could do much to encourage their acceptance of new developments and assist in overcoming the massive problem of vandalism.

"Providing we work together, we can do much to satisfy the needs of most of the people within present financial constraints.

"Another sensitive issue is the effect new developments will have on the environment. This is taken very seriously by professional teams and the adverse environmental impacts, such as transport needs, can be minimised through careful planning."

Hill Kaplan Scott recently moved its Randburg operation into larger premises to better service the Randburg community. The firm's Johannesburg office was well located to serve the Thembisa, Alexandra, Sandton and Midrand areas.

TELE

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Pension funds to the rescue

Sweeten 16/4/92

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By JOSHUA RABOROKO

THE urgent need for providing bridging finance to developers of low-cost shelter for very poor urban black communities has been given a significant boost.

An innovative mechanism involves the private placement of R120 million of unlisted debenture issues by the Land Investment Trust

This R120 million funding has been raised from institutional investors on a purely commercial basis specifically for the low-cost end of the market.

The funds will be used to finance the acquisition of strategic raw land and the development of site and service land as well as for land earmarked for starter housing.

The LIT is a non-profit financing organisation specifically established to be a catalyst for an effective land delivery process.

It is a subsidiary of the New Housing Company, an independent national housing agency established out of the recent restructuring

of the Urban Foundation to control various trading and land investment operations.

LIT general manager Mr Taffy Adler pointed out the board comprised a unique mix of community representation as well as business and professional skills.

The mix would help to ensure that socially responsible investment directed at the most needy communities took place in a viable and long-term manner.

LIT chairman Mr Selwyn MacFarlane said that

with nearly 60 percent of the black urban population currently unable to afford housing priced at more than R15 000, the need for creative ways of attracting funds from the institutional sector was crucial to the resolution of the country's housing crisis.

"Housing policies currently being pursued by major housing development agencies are designed to assist poor families who wish to buy a serviced site in a site and service scheme or informal settlement by providing a capital subsidy of R7 500 on the selling price of the site.

"The LIT will play a crucial role in facilitating the provision of this form of shelter. Bridging finance will be made available, especially to community-based developers who cannot get such finance from conventional financial institutions."

The first tranche of R120 million was raised from the AECI Pension Fund, Anglo American Corporation Pension Fund, De Beers Pension Fund, Eskom Pension Fund, Everite Pension Fund, Fedlife Limited, Metal Industries Group Pension Fund, Old Mutual, Sage and Sanlam.

UAL assistant general manager (securities) Mr Leon Kirkinis said: "The intention is to raise further tranches when required."

The funds raised by the LIT would be used to finance the development of two categories of land:

- That which is subject to the Independent Development Trust subsidy;

- Land earmarked for starter and strategic raw land, with available land around the country having already been identified.

'The need for creative ways of attracting funds from the institutional sector was crucial to the resolution of the country's housing crisis.'

Low-cost housing: Banks fear boycotts

Sowetan 16/4/92
LEADING construction companies have accused financial institutions of being reluctant to give poor families loans for low-cost housing.

The chairman of the Mortgage Lenders' Association, Mr Tim Hart, yesterday said that new designs for low-cost housing would not solve the housing crisis as long as organisations continued to place financial institutions' loans at risk by supporting rent boycotts.

However, he said that banks had to be careful of advancing funds without high certainty of repayment, because they were dealing with trust money.

It was not the function of banks to solve the social problems, he said, adding that that was the responsibility of the State and the private sector.

The Urban Foundation and the associa-

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By JOSHUA RABOROKO

tion launched the loan guarantee fund in July 1990 and started lending money in October 1990, according to the latest survey of the South African Institute of Race Relations.

The survey says by August 25 1991, 1 996 loans had been processed through this fund. Amounts lent were as low as R12 500 but were not to exceed R35 000.

The objective of the loan guarantee fund was to address two constraints on lending in the low income housing market - the risk of not recovering funds loaned and the non-profitability of small loans.

It also aimed to make housing finance available to an additional 30 percent of the population by lowering the normal lending threshold and the deposit required.

Stop talking, start building

Sowetan 16/4/92

(123) ~~23~~

THE only way in which a significant contribution could be made to the housing crisis was to build more and talk less.

This was said by the new managing director of Basil Read Homes, Mr Leon Nel.

Although he was not opposed to conferences and conventions to discuss the acute housing shortage, he felt most of the debates and talks were centred on the problem and not the possi-

By **JOSHUA
RABOROKO**

ble solutions.

In an interview with *Sowetan* Property, he said he believed that the sooner people in the industry started building, the sooner the situation would improve.

He said a number of developers still believed in home markups and selected business in the upper-in-

come environment.

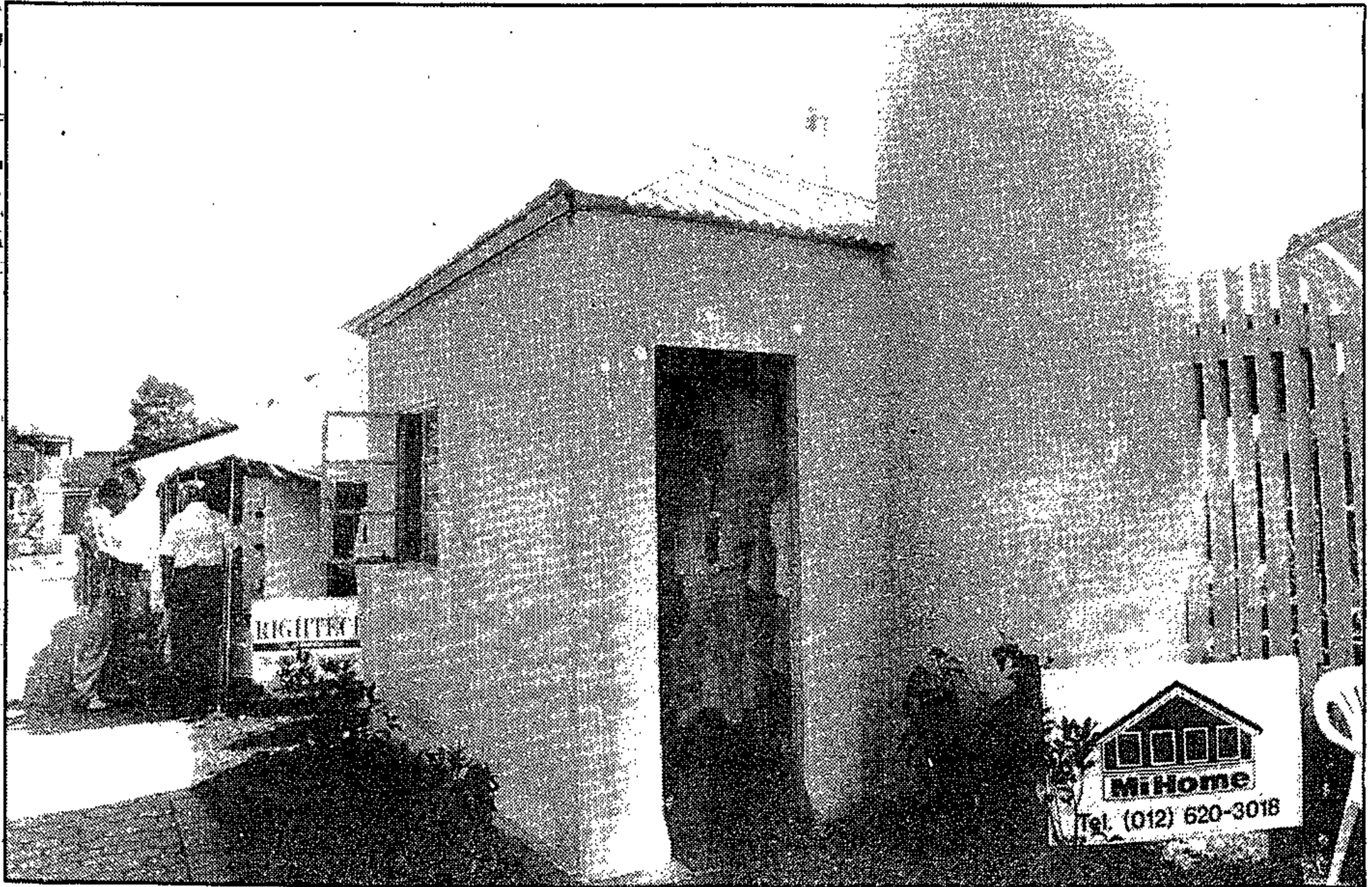
Those days were gone and developers had to put in a concerted effort to get involved in the lower end of the market with small profit margins but high income volumes of turnover.

Institutions should realise the simple fact that there was nothing wrong with lowering standards and minimum requirements, provided it did not affect construction quality.

If a prospective buyer qualified and was prepared to accept his financial commitment for a 30 sq m house, it should be financed.

The market should also realise that some people simply could not afford a full specific house and that electricity, for example, which was a luxury that could be installed later without compromising quality of the home.

Innovative designs could help solve housing backlog



Low-cost winner . . . this house is built from standard precast concrete slabs, complete with solar power, toilet and shower for R8 500. Picture: Karen Fletcher

A STAR attraction at the Rand Show is a tiny 11 sq m precast concrete house, complete with carpet squares, toilet, shower and solar-heated water, erected in only four days for R8 500.

Hardly Buckingham Palace, but then this is part of the affordable homes display organised by Shanti Industries to focus on adequate housing for homeless people.

The MiHome, which can be expanded for R3 500 a room, is much sought after as a starter home, a holiday house, a hunter's cabin or domestic workers' quarters and orders have already been booked until the end of August, claimed organiser Alan

STAR 16/4/92 By SHIRLEY WOODGATE

Stokes.

This was one of several examples of low-cost structures needed to fill a huge housing backlog, he added.

The 27 sq m three-roomed Zinki, complete with veranda, costs R5 820 plus R580 for erection which can be done in three hours for someone who wants a house in a hurry.

Consisting of high-tensile galvanised steel panels on a concrete slab, this house is considered maintenance-free for 15 years and has a 50-year lifespan.

Debrell Projects director

Haydn Cairns stressed that reservations about extremes of temperature in metal structures were largely countered through roof insulation.

Another galvanised steel unit on display is Murray and Roberts's 30 sq m unit costing R13 500, including erection.

Examples of wooden homes are Sappi's Elite weather-proofed timber-frame fire-proofed unit, selling at R4 600 for a 24 sq m house with a flat corrugated iron roof. It can be erected by a handyman using tools

costing about R200.

There is also a weather-board pine unit built to SABS standards.

The 24 sq m home costs only R6 000.

Mr Stokes said there had been excellent consumer interest in the innovative styles on show, with the emphasis on homes as opposed to huts.

"We have produced innovative building techniques, now we say to the financial institutions that they must stop hiding behind the counter and provide the loans.

"They must match our innovations by producing imaginative methods of lending money to prospective homeowners," he said. □

Buyers bewareFM
17/4/92

Buyers of property with a latent defect could be adversely affected by a judgment of the Appellate Division of the Supreme Court. Contracts of sale of fixed property, in particular, frequently include a voetstoots clause, which nullifies a seller's common law liability for latent defects. But the legislation governing instalment sales bars its insertion in contracts for the sale of movables falling under that legislation.

After an exhaustive study of the old au-

cont →

ECONOMY & FINANCE

FM 17/4/92

(123)

thorities, the Appeal Court concluded that the rule followed in the Natal courts was to be preferred to the Transvaal rule. In the Transvaal, all the buyer had to do to defeat a voetstoots clause and claim damages from a seller for a latent defect was to prove the seller was aware of the defect and failed to disclose its existence. In Natal, it was necessary to prove — not only that the seller was aware of the defect — but that he had designedly or actively concealed its existence from the purchaser.

This decision, says Janks, places a heavy onus of proof on the purchaser. Hofmeyr van der Merwe partner Stan Treisman does not consider the judgment as requiring clarifying legislation. He says the onus of proof for a purchaser, even on the previous position in the Transvaal, was already severe.

In many cases, the failure to disclose would be tantamount to fraud, as a court would consider the failure to disclose had been by design. A self-evident case would be the concealment of structural cracks in a

dwelling by the use of wallpaper.

Treisman says a practitioner acting for a purchaser should protect his client by qualifying the voetstoots clause in an agreement of sale. A provision should be made in the contract that the seller is not aware of any latent defects in the property. Whether a seller would agree to the insertion of this clause would obviously depend on whether the deal was struck in a buyer's or a seller's market. ■

Starting life with a toilet!

ARG 18/4/92

123

JOHN VILJOEN
Weekend Argus Reporter

HERMANUS Assistant Constable Fundile Mavatha smiled as he contemplated the site of his future home, then stretched his arms and said: "I'm going to build a big house."

He was one of more than 200 proud new landowners given serviced plots this week as the Independent Development Trust's R750 million programme to tackle the housing crisis bore fruit in Zwelihle township, Hermanus.

The 233 plots were empty, bar the concrete toilet on each one, when Weekend Argus visited the site, but soon it will be the scene of frenetic activity as dwellings take shape.

Another 227 plots should be ready in a month, making a total of 460 potential havens for the seaside town's homeless.

Mr Mavatha, 29, like many others, has little money and will struggle to build more than a shack at first. But that seemed a minor drawback to those clutching the deeds to their own land.

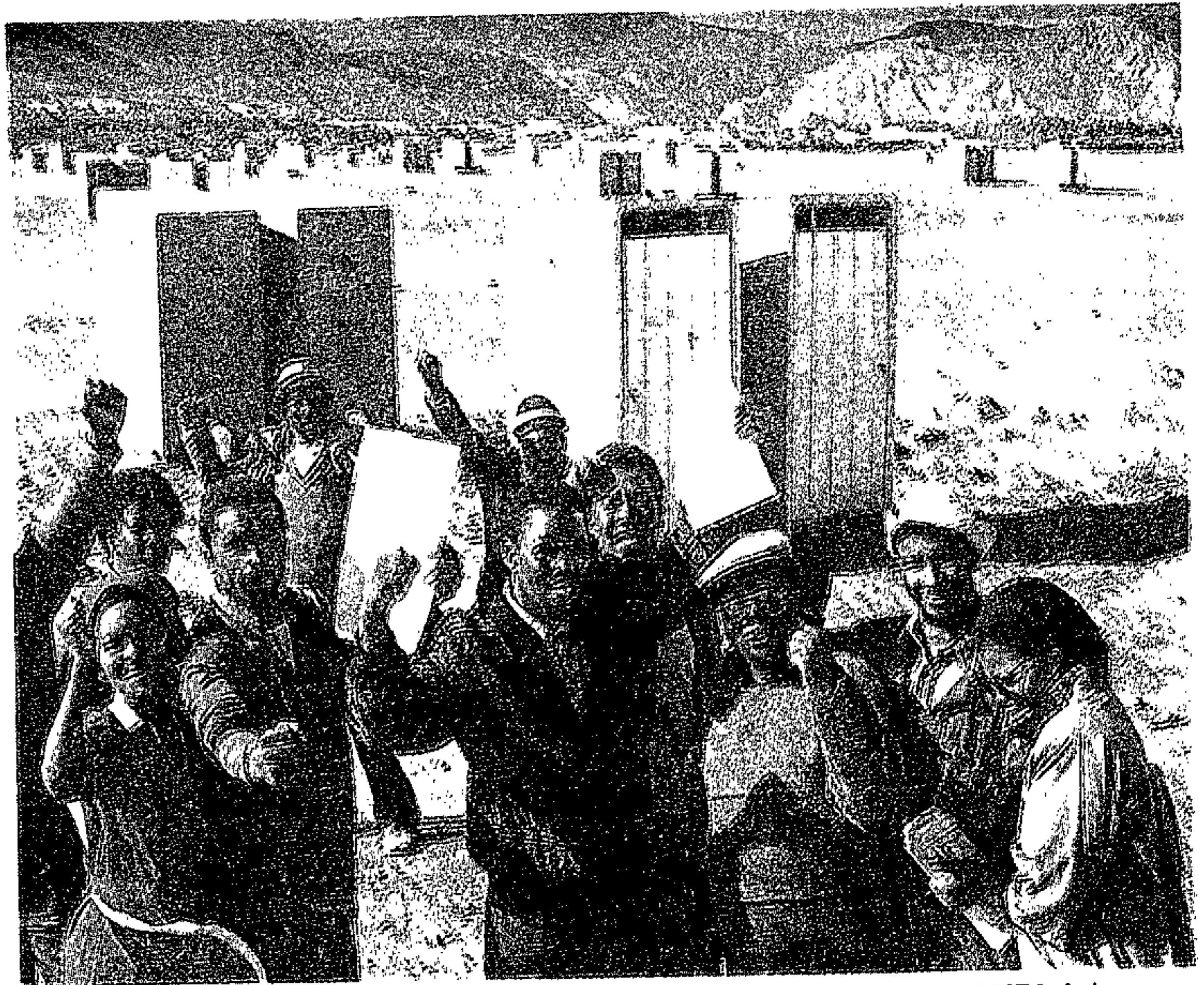
Mr Johannes Ntlapo, 37, a taxi-driver, said he was thrilled to have his own place at last. He planned to save to build a home for himself and his wife Ivy and estimated it would cost him up to R9 000.

Mr Ntlapo praised the IDT and also the role of the Hermanus Civic Association in making the Zwelihle project a reality.

After years of suffering he finally had a piece of land to call his own.

Domestic worker Wendy Mayekana, 29, beamed as she held the yellow card stating her name and the number of her plot.

She said the toilet would be the only permanent structure on the land for a while. She and her five-year-old son would be sleeping under plastic until



Straws drawn for happy homes

such time as a permanent structure could be built.

Mr Monwabisi Fani, 24, grinned broadly and said: "It feels good to have my own land."

Mr Daniel Bala, 24, said that after many years without land he could now start work on a home for himself and his wife Elizabeth and their two young children.

The strongly community-based IDT scheme will provide 100 000 215 to 230 square-metre plots countrywide for people like Mr Bala, each one fitted with basic running water and sanitation facilities. Each ser-

vised plot has cost the IDT R7 500.

The programme helps homeless families on the bottom rung of the income ladder, applicants having to prove that the main breadwinner brings home at most R1 000 a month.

Applicants, who must be over 21 and not have owned a home before, are handed free of charge the land plus the deeds proving full legal ownership.

The IDT has set aside a massive R750 million for these projects around the country.

But the money could have

□ **MY LAND!** A happy Mr Fundile Mavatha, centre, holds the deed to his plot. Fellow-new landowners celebrate.

Picture: WILLIE de KLERK,
Weekend Argus.

been spent several times over, with at least a million families believed to be struggling on joint incomes of less than R1 000 a month.

At Zwelihle there were more than enough eligible families and the anxious and excited applicants drew lots to see who got plots.

Still, Zwelihle Town Clerk Mr Bobby von Düring was pleased to be able to present the first batch of landowners with their deeds of ownership.

The application to the IDT for funds had been made in the name of the council and progress had been rapid.

123
B/pan
22/4/92

House plans assessed

THE value of house plans passed in the first two months of 1992 rose 11,8% in current terms to R575m and flats and townhouses by 46,4% to R213,3m against the same period last year, but in real terms the value of residential plans rose 8,3%, says the Central Statistical Service. The value of nonresidential plans dropped 29% (37,6% in real terms) to R441,6m.

lable scheme off the ground as quickly as possible. [Interjections.]

†Mr W U NEL: Mr Chairman, further arising from the hon the Minister's reply, can he perhaps give an indication of when he foresees it being possible for something like that to be implemented the soonest?

†The MINISTER: Mr Chairman, if the hon member had listened, he would have heard that we hope to finalize such a system and scheme within the next fortnight. [Interjections.]

For written reply:

General Affairs:

Pupils: per capita expenditure

155. Mr R M BURROWS asked the Minister of Education and Training:

What was his Department's per capita expenditure, (a) including and (b) excluding expenditure of a capital nature, on pupils at (i) public schools, (ii) government schools, (iii) community schools, (iv) state-aided schools and (v) state-aided farm schools during the 1990-91 financial year or the latest specified 12-month period for which information is available?

B374E

The MINISTER OF EDUCATION AND TRAINING:

	(a)	(b)
(i)	R 1 046	R 894

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Refer to attached schedule.

	Region A	Region B	Region C	Region D	Region E	Region F	Region G	Region H	Region J
(1)(a) (i)	1 234	325	7 382	3 281	709	881	314	18 794	164
(ii)	42	Nil	499	109	Nil	142	675	1 342	Nil
(b) (i)	1 206	325	7 382	3 281	709	881	105	18 509	108
(ii)	36	Nil	499	109	Nil	142	189	822	Nil
(2)	Decrease	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase
	in respect of leasehold. Increase in respect of freehold								

B432E

- (ii) —
- (iii) —
- (iv) —
- (v) 647

Note:

1. The above-mentioned information is in respect of the 1990/91 financial year.
 2. "Government schools" are the same as "public schools". There are no "community schools" under the control of this Department. Questions (a)(ii), (a)(iii), (b)(ii) and (b)(iii) thus fall away.
- Expenditure of state-aided schools cannot be distinguished from state-aided farm schools. The answer to (a)(v) and (b)(v) include a few state-aided schools not on farms.

99-year leasehold scheme: leases

188. Mr P G SOAL asked the Minister of Local Government and National Housing:

- (1) (a) How many persons in each specified region of his Department applied in 1991 for (i) leases in terms of the 99-year leasehold scheme and (ii) leave to purchase property under freehold title and (b) how many such applications had been granted as at the latest specified date for which figures are available;
- (2) whether the figures in respect of each such area represent an increase or decrease in comparison with the relevant figures for 1990?

99-year leasehold scheme: plots surveyed

189. Mr P G SOAL asked the Minister of Local Government and National Housing:

- (1) How many plots (a) were surveyed in each province of the Republic in 1991, and (b) are available, with a view to the (i) 99-year leasehold and (ii) freehold title scheme;
- (2) whether any of these plots have been sold; if not, why not; if so, (a) how many in each province and (b) in respect of what date is this information furnished?

B433E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Cape Province

- (1) (a) 14 156
- (b) (i) 183 853
- (ii) 532
- (2) Yes
- (a) 3 670
- (b) 31 December 1991

Orange Free State

- (1) (a) 7 816
- (b) (i) 104 362
- (ii) 41 703
- (2) Yes
- (a) 29 213
- (b) 24 March 1992

Natal

- (1) (a) 1 617
- (b) (i) 238
- (ii) 71
- (2) Yes
- (a) 647
- (b) 25 March 1992.

Transvaal

- (1) The information as requested is not readily available.

Since reference is made to 99-year-leasehold, it is accepted that the question

relates to erven in townships that are situated in declared development areas. As far as the Transvaal is concerned, 44 applications for township establishment in terms of the Black Communities Development Act, 1984 (Act No 4 of 1984) were received of which 9 applications have been approved in principle (Regulation 16) and which made 11 557 residential erven available. These applications were submitted by private developers (18) and local authorities (26) and Transvaal Provincial Administration has no information available to determine whether the erven have already been surveyed or not.

It must also be mentioned that a further 36 applications, received previously have also been approved in principle during the above-mentioned period and which make a further 19 235 residential erven available. Of the 36 townships mentioned, 6 have already been declared approved townships which means that those erven were surveyed when the townships were declared (9 398 erven). The date on which these erven were surveyed is not available.

When applications for township establishment are received, no indication is given of the scheme on which the erven will be disposed of (99-year-leasehold or ownership title).

- (2) The Transvaal Provincial Administration is not involved in the sale of erven, therefore the information cannot be made available.

SADF: amount spent on sport

201. Mr J H MOMBORG asked the Minister of Defence:

What total amount was spent on sport by the (a) Army, (b) Navy, (c) Air Force and (d) Medical Services Branch of the South African Defence Force in the 1989-90, 1990-91 and 1991-92 financial years, respectively?

B458E

The MINISTER OF DEFENCE:

(a), (b), (c) and (d). Sport facilities are jointly provided on a regional basis for all four Arms

Sowetan Reporter

THE Government is budgeting to boost its spending on low-income housing by 50 percent in the current fiscal year, according to an analysis by building economists Medium-Term Forecasting Associates of Stellenbosch.

Mr. Johan Snyman, a director, said initial reports had indicated that budgeted expenditure on housing would almost double.

Closer inspection revealed that this comparison was invalid because it included the "off-Budget" spending on housing by the Development Bank, the

Low-income homes boost

Sowetan 23/4/92

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SA Housing Trust and Independent Development Trust in the 1992-93 estimates while spending by those agencies was excluded last year.

Housing would receive 49 percent of the total amount derived from the sale of strategic oil stockpiles - almost R800 million going to housing and general infrastructure compared with R149 mil-

R800 million.

Altogether, R1 600 million was now available to help eradicate the backlogs in housing, education and health care and about half (R791 million) was available for housing and infrastructure.

Judging by experience, long delays in the implementation of housing are

are to be expected and it is unlikely that the total amount of close on R4 billion that is currently available for low-income housing will actually be spent in the 1992-93 fiscal year," said Mr Snyman.

"Indeed the housing delivery process has not yet been streamlined and is cause for concern."

He said Finance Minister Barend du Plessis in his Budget speech had pointed out that an aspect receiving urgent attention was the simplification of procedures to speed up orderly township development.

'Codesa' for housing is on the cards

By JOSHUA RABOROKO

Plans are afoot by leading experts to form a "Housing Codesa" at a time when the shortage of homes in South Africa is estimated to be 1,2 million units.

The National Association of Home Builders (Nahb) is hosting a housing conference with the theme "Nation Building Through Homeownership" to find out whether a "Housing Accord" can be formulated and applied.

Other possibilities to be discussed include:

Can a Nation Building be promoted by homeowners?;

Can a national housing forum provide the long awaited impetus in and resurgence of the housing industry?;

Can South Africa turn the problems into economic - and job opportunities?;

Among key speakers at the conference will be the presidents of the ANC, Mr Nelson Mandela, PAC's Mr Clarence Makwetu, Azapo's Pandelani Nefolovhodwe, National Association of Stokvels of SA, Mr Kehla Lukhele.

Nahb's executive director Mr Daan Roelvert said the political stability, job



MAKWETU

creation, education, health and housing were the five most important issues to determine the future of South Africa.

He said: "Nahb is requesting all political parties to set out their housing philosophies and strategies to solve the problems during its 1992 housing conference.

"Various inputs of the role players in the housing field will be studied possibly culminating in the formation of a "Housing Codesa".

Ability

Nahb chairman Mr H Hardy said there was little doubt that there was a direct relationship between the country's ability and the percentage of home owners.

"We have a long way to



NEFOLOVHODWE

go in South Africa to provide at least basic shelter for all who need it," he said, adding, "1991 proved to be a contradictory year."

"The delivery of new houses dropped alarmingly, but there was encouraging progress in a number of respects. The first steps in land reform have improved security of tenure for many people and the abolition of the Group Areas Act opens the door for vastly accelerated development of inner city land."

He said the Independent Development Trust initiative in subsidising 100 000 serviced sites for the poorest of the poor had drawn criticism from many quarters, but it was a bold step which in some areas was already stimulating the construction of small houses.



MANDELA

Housing policy after years of neglect has been put under the spotlight, both by the De Looer task group and, for the first time since apartheid has been officially declared dead, two World Bank Missions.

The conference comes at the time when the Urban Foundation has estimated that the housing shortage in South Africa, including the homelands, was 1,2 million units.

According to the South African Institute of Race Relation's latest survey estimates of the number of informal settlers in 1991 varied from 3,5 million to 7 million.

In 1991 approximately 59 percent of the population of South Africa, including the homelands was urbanised - indicating the serious demand for homes.

Sowetan 23/4/92

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DISA DEVELOPMENT

Litany of woes

Activities: Property project managers.
Control: Directors 82%.
Chairman and MD: T Stergianos.
Capital structure: 30m ords. Market capitalisation: R6m.
Share market: Price: 20c. 12-month high, 25c; low, 20c. Trading volume last quarter, nil shares.

Year to Aug	'88	'89	'90	'91
ST debt (Rm)	1,0	0,3	5,9	7,5
Debt:equity ratio	0,1	—	0,6	1,2
Shareholders' interest	0,5	0,5	0,6	0,4
Return on cap (%) ..	42	29	5,4	nil
Pre-int profit (Rm) ...	5,0	4,6	1,1	(2,9)
Earnings (c)	13,4	14,8	5,9	(11,5)
Dividends (c)	4,0	4,5	2,0	—
Net worth (c)	20,8	26,1	32,0	20,5

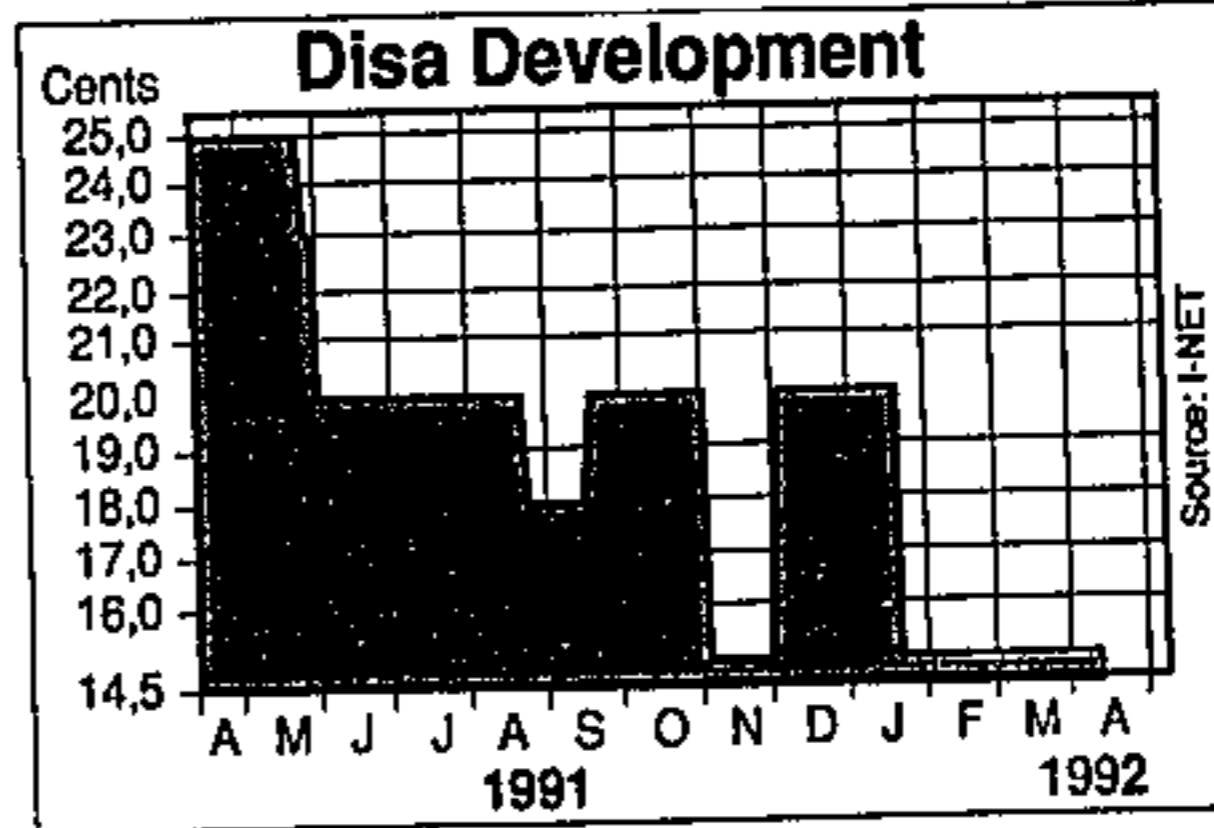
As chairman and major shareholder, Theo Stergianos has every justification for feeling disgruntled about the poor results. Many factors beyond his control contributed.

High interest rates, disappearance of the first-time home-buyer, the effect of VAT on the property market, consequences of black township rent boycotts, politically motivated riots and the consequent reluctance of building societies and other lenders to advance funds for further property developments, all pulled down results.

In short, 1991 was a rotten year. It is a bad time to be a property developer in the lower end of the market — where Disa is positioned. Had it not diversified and established a division to perform and finance installation services in housing developments, results would have been even worse.

As it was, in a year which ended as long ago as August 31 — reporting performance could also do with improvement — the company produced a net loss of R3,5m, after the services division's operating profit of R700 000. This represents a 36% reduction in shareholders' permanent capital — as opposed to shareholders' funds.

The balance sheet includes a R900 000 shareholders' loan created by the directors who, in 1989, declared a special dividend which was not paid out. The R1,5m involved was to be retained until the directors felt it propitious to pay it. At the time, the FM was uncomfortable about the matter (Com-



panies, February 2 1990) and its fears have now been realised.

The first tranche of 40% was paid in 1990 when there was a measure of liquidity. This left a balance of R900 000. But after the poor 1991, and a substantial increase in interest costs since 1989, which will have to be exceeded by operating profits before the shareholders can expect a payout, heaven knows when the balance will be repaid.

Prospects for property development appear no better than in 1991. However, Stergianos seems confident that two new projects begun in January, together with delays in other projects that have now been resolved, could result in the company returning to profitability and the loan payout at the rate of 40% of EPS could then be resumed.

But the cost of the increased debt burden will again weigh heavily. Strategies for survival rather than growth objectives now seem appropriate. If Stergianos can pull Disa through the recession, opportunities should abound in township property development, the area in which his expertise lies. Diversification now into the "international leisure market," whatever that may mean, seems an undesirable digression.

Gerald Hirshon

HOUSE PRICES

Life in the middle

FM 24/4/92

123

While higher-priced homes — defined as costing R300 000 and upwards — continue to languish countrywide, middle-range prices are beginning to climb again as some life returns to a sluggish residential market. These houses cost from R150 000 to R300 000, and there are regional differences in the pricing structure.

The national average rise in the third quarter of 1991 — over the corresponding period in the previous year — was 18,5%. The previous quarter, year-on-year, showed only an 11,9% increase. And as the accompanying table shows, the rise in middle-price homes has been most pronounced in Durban (26,1%) and Port Elizabeth (40,7%).

Bellville-based Erwin Rode of Real Estate Surveys — who compiled the property market section in the latest quarterly report of the Bureau for Economic Research of the University of Stellenbosch — attributes the movement in PE in particular to a major catching-up process to bring prices in line with those of the rest of the country.

He says PE and Durban have been the best performers for the second consecutive quarter. There is also an "apparent turnaround" in the Pretoria market, with middle- and upper-priced homes rising 17,9% and 28,6% respectively. Rode adds that the Pretoria middle-price class has suffered single-

HOUSE PRICE GROWTH BY CITY & CLASS (%)

Year ended second quarter 1991

City	Total	Upper	Middle	Lower
National	12,6	7,3	11,9	21,0
Johannesburg	11,3	7,8	16,1	15,0
Pretoria	4,0	-2,8	0,0	17,6
Durban	24,0	23,3	16,5	33,3
Cape Town ..	11,6	1,5	14,6	25,5
Port Elizabeth	29,6	40,1	19,6	29,2

Year ended third quarter 1991*

City	Total	Upper	Middle	Lower
National	12,7	2,0	18,5	20,7
Johannesburg	7,0	-11,0	12,1	21,8
Pretoria	18,9	28,6	17,9	10,0
Durban	27,2	26,4	26,1	29,4
Cape Town ..	-1,6	-22,0	9,6	18,3
Port Elizabeth	36,8	34,5	40,7	35,3

* These figures are preliminary and subject to change.

Source: Real Estate Surveys.

figure growth rates in previous quarters. It should also be taken into account, "when looking at the region's growth rates for the third quarter of 1991, that the corresponding figure for 1990 was exceptionally low."

Upper-priced homes have taken a bad knock in Johannesburg (-11%) and Cape

Town (-22%) but notched up handsome increases elsewhere, notably in PE (34,5%), Pretoria (28,6%) and Durban (26,4%).

Says Rode: "Overall, the levelling-off process in Cape Town is continuing. Though house prices in the lower price brackets are maintaining reasonable growth (lower bracket rose 18,3% in the third quarter of 1991), house prices in the upper and middle (9,6% up) categories are still seeking to stabilise at more rational levels after the massive hikes of 1990-1991."

For the rest

Upper-priced homes in general are suffering most because corporate profits are under pressure and pay has lagged inflation.

The upward trend in the lower-price category — R50 000 to R150 000 — continues nationwide. In the second quarter of 1990, the year-on-year rise over the previous quarter was 21%; in the third quarter it was 20,7%.

Rode says demand for flats remains keen — rentals in most areas are up, especially in Durban and Pretoria. Bloemfontein has shown a 20% to 30% rise "with bachelor and two-bedroomed flat rentals really booming." The exception is Johannesburg, especially in the inner city, where flat rentals dropped in rand terms over the previous quarter. ■

Bond-plan runs a close second to unit trusts

READERS frequently quiz me about the advantages of investing in their household bond.

So let us take the case of Mr R N, a 32-year-old professional man who has a monthly income surplus of R250 that he would like to invest.

He is, he believes, well covered by a number of different assurance policies but has no other investments except his house, over which he has a R149 000 bond that necessitates a monthly R2 624,97 repayment.

Would it, he asks, be best to increase his bond repayment or would some other form of investment promise greater returns?

Investing in your own household bond offers the twin benefits of very high rates of interest combined with tax deductibility. But just how well does it compare with other types of investment?

Turning first to the accelerated bond repayment opportunity and taking an example of a 20 percent mortgage rate, if one invests surplus income by increasing one's rate of repayments, one would be effectively receiving a 20 percent return on the investment.

Furthermore, if one were to put that money into most alternative forms of interest-bearing investments, one would be taxed at one's marginal income tax rate on all interest greater than the R2 000 that the Receiver of Revenue allows one to receive tax-free.

In Mr R N's case, at the 20 percent he is currently paying on his bond, his monthly surplus of R250 would not yield sufficient for taxation until his third year of saving.

However, over time the tax benefit would add up significantly.

Surplus

Were bond rates to remain static in future and Mr R N to simply continue his present monthly instalment, it would take him 14 years and nine months to clear his bond.

Were he simultaneously to save his R250 a month surplus income in an investment paying 20 percent he would, by the time 14 years and nine months were up, be receiving R52 941 a year in interest on his accumulated capital and would undoubtedly by then find himself in a top marginal tax bracket, paying 43 percent on most, if not all, his interest income.

Thus, by investing in his bond he would in his 14th year not only be receiving an extremely high 20 percent return, he would be receiving an effective 43 percent subsidy

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FOOTSTEPS
TO FORTUNE

25/4/92
RICHARD
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from the Receiver of Revenue.

To match that in any alternative taxable investment he would need to find one yielding a 28,59 percent rate of interest.

Were he to add the R250 to his existing bond repayment he would, at present interest rates, have paid off the amount owing in just 10 years.

The effective saving — or, if you like, the return on his investment — would be a third of his present total payments or a total amount of R146 998.

Furthermore, the flexibility now offered by the modern access type of mortgage means one has most of the advantages of a savings account as well as the high interest rates that I have just illustrated.

Tax

If Mr R N needs his accumulated surplus income in a hurry, it is easy to get the money back.

Clearly, too, there is contained within this scheme the possibility to keep on avoiding tax for one would, within a comparatively short time, have accumulated sufficient capital within the mortgage repayment to provide the deposit on a second house.

This could in turn be let to tenants whose rent payments would, in present circumstances, be somewhat less than the interest owing on the second house and thus be entirely tax-deductible.

Indeed, depending upon his personal circumstances, it might be that any losses incurred in the difference between rent income and the costs of the second house could be offset against Mr R N's primary income to reduce his overall tax burden.

Were the latter tax benefit a possibility in Mr R N's case it would be difficult to envisage any alternative investment offering a better overall return, particularly when one considers the multiplier effect that would become possible with successive purchases and mortgages as his capital grew over time.

Taking, however, my calculation of the tax-effective 28,59 percent annual return he would be receiving from investing in his bond, it is worth noting that three unit trusts have long-term average growth rates that better that figure.

My latest calculation of long-term unit trust returns has the Old Mutual Investors Fund showing an annual average of 31,41 percent, Guardbank 30,6 percent and Sage Fund 28,9 percent.

The basis of the calculation takes R1 000 invested on the last day of December, 1977 with all dividends reinvested.

What this latter calculation does not take into account is the fact that a portion of unit trust income is interest-sourced and is, accordingly, taxable.

My own unit trust database does not include the relative percentages, but on the face of it one might conclude that the best unit trust return would presently be approximately equal to the effective return one would get from investing in one's own mortgage.

My own unit trust database does not include the relative percentages, but on the face of it one might conclude that the best unit trust return would presently be approximately equal to the effective return one would get from investing in one's own mortgage.

Close

But be careful, mortgage rates are at historic highs and have, over the past 14 years — the period of comparison with unit trusts — usually been at considerably lower rates.

In conclusion then, provided you choose the right one, unit trusts remain the better investment but the mortgage route runs it very close indeed.

Bearing in mind the cyclical nature of the stock market and the difficulty one regularly faces if one needs to realise capital at times when the market is down, it thus makes sense to spread one's money between the two different types of investment.

I would accordingly advise Mr R N to put R125 a month into a unit trust and R125 into his mortgage.

● "Footsteps to Fortune" is a serialisation of Richard Cluver's latest book "How To Make a Million" which, together with his other titles, "Making Money With The Mutuals", "Investment Without Tears" and "Advertising For Free" is available from The Promotions Department, The Daily News, PO Box 47549, Greyville 4023. They are R40, each inclusive of postage and VAT.

Property

market ⁽¹²³⁾

Sunday Times (Cape metro)

still slack

26/4/92
NO tangible evidence coming out of the marketplace was pointing to a recovery in residential property prices within a specified period, Cape Town estate agent Mr Samuel Seeff said this week.

He was responding to Johannesburg real estate agents who said recovery was expected within the next six months.

"This is at best wishful thinking and at worst providing false hopes," Mr Seeff said in a statement.

"Residential property worldwide is at a low ebb and South Africa is not alone in the recession."

Mr Seeff said the recent one percent drop in interest rates was "a tremendous disappointment". Another two percent drop was needed, although he was not even sure a two percent drop would be enough for a total recovery.

The quietest sector of the property market was the upper bracket where the political climate did not lend itself to investor optimism.

"Until the major players in our political scenario find a way to stop the unceasing violence and growing criminality, we can expect that the pace of the luxury market will continue to be subdued for some time to come," Mr Seeff said.

PROPERTY

Homeless people plan to take action

REPRESENTATIVES from 700 homeless black communities are to launch a national campaign to help alleviate the plight of millions of destitute people.

The Operation Masakhane for the Homeless (Omhle) under the chairmanship of Mr Dan Moshugi has called a spe-

By JOSHUA RABOROKO

cial conference to be held at the Catholic Renewal Centre in Kensington, Johannesburg, from Wednesday to Friday.

Moshugi said: "We have visited homeless communities in all provinces and are appalled by the situation.

"With winter approach-

ing, it seems certain that many will die from exposure in their cardboard and plastic shanties.

"All South Africans should work together to help the homeless people to help themselves."

He added that the homeless people would build their own homes to replace the shacks, "but we need serviced sites, training and building material depots

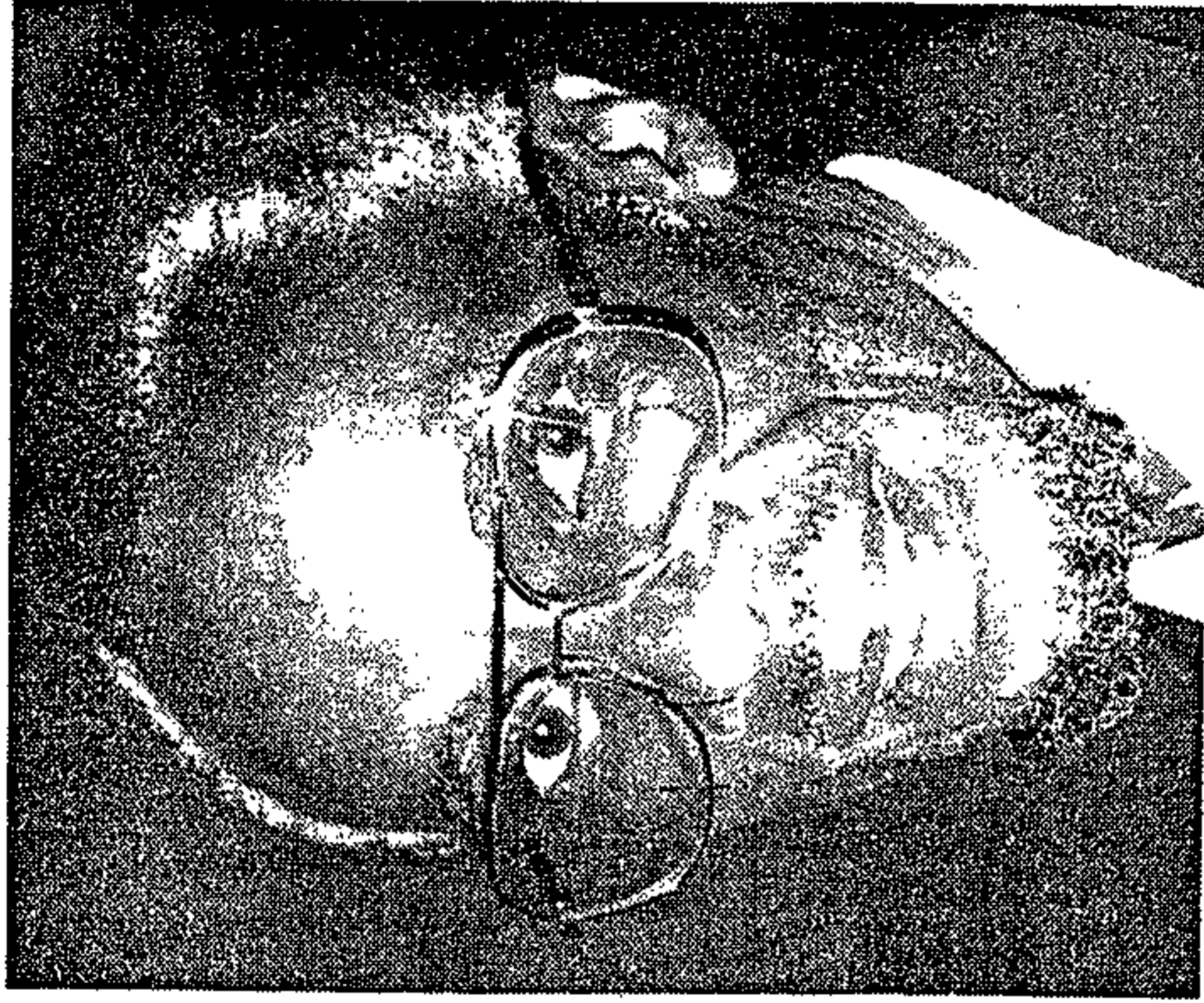
where we can get good quality materials at affordable prices."

Matters such as the security of homeless people, medical and educational facilities, employment and economic upliftment, and many others will also be discussed.

Another positive development was that international financial aid might be available to finance ma-

terial depots where the people live because they do not have transports to buy their materials from distant outlets.

"This offers new hope to the homeless, but what is needed now is a national conference to co-ordinate our efforts and to get positive input and participation from all sectors of the housing fraternity in South Africa," Moshugi said.



DAN MOSHUGI

Property tax 'should go up'

B (Dun) 27/4/92

LINDA ENSOR

CAPE TOWN — Property taxes in SA could increase by 50% and still remain within international norms, University of Western Cape economics professor and ANC fiscal policy adviser Lieb Loots said at the weekend.

Loots, speaking at the annual Rode conference, said a tax on immovable property was inevitable and necessary to provide revenues for local authorities which would be required to play a greater developmental role in a new SA.

They would have to take responsibility for far more than the infrastructural and municipal services they provided.

Many functions which were the responsibility of central government would be decentralised to local authorities.

Loots said an insignificant proportion of overall general government revenue was obtained from property taxes although they made a significant contribution (about 15%) to the revenues of local authorities. In most developing countries the

property tax share of municipal revenues was less than 20%. (123) (234)

"In rough terms, international comparison suggests that property tax in SA can probably increase by about 50% of its present level (that is another 0,7% of GDP to reach 2% of GDP) in order to move closer to a more balanced overall tax structure."

Loots said property taxes were revenue efficient and cost effective.

He believed a wealth tax would be neither feasible nor desirable, and while there would be pressure for a capital gains tax this would have to be approached with caution.

Our Cape Town correspondent reports that Loots said another reason for introducing property tax would be to avoid distortion in investment decisions.

He said it should be indexed and updated annually on the basis of a formula instead of a rating revaluation every 10 years.

Most repossession in 30 years

Staff Reporter

THE number of houses being repossessed has been higher this year than in the past 30 years, the Director of the Association of Mortgage Lenders, Mr Tim Hart, said yesterday.

He blamed this almost exclusively on the recession.

Many financial institutions cut their bond rates by 1% at the beginning of March, but Mr Hart said it was still too soon for the impact of the reduction to

be felt.

The number of sales in execution have been "alarmingly high" in coloured and black communities, according to Mr Scott McRae, Camdons group's managing director.

"South Africa's bond rates are among the highest in the world. It is essential that a further 1% to 2% is shaved off ruling bond rates in the next six months to ease the burden particularly on first-time home-owners and those in the lower income

sectors of the population."

He said that unless something was done, building societies would end up holding property they would have difficulty selling "except at discounted rates" and that this would lead to a fall in property values.

The assistant general manager of Natal Building Society, Mr Trevor Olivier, said he expected a further reduction in the bond rate during the year provided inflation came down. However, he insisted that the real way to

reduce the number of repossessions was through job creation.

Retrenchments in the coloured community in Cape Town had been particularly high and this ultimately led to the loss of the home.

Perm's public affairs manager, Mr Theo Coggin, said the Perm had not found the repossession of property to be concentrated in a particular economic or racial group. There had been a "large number" across the board.

Bond-plan runs a close second to unit trusts

READERS frequently quiz me about the advantages of investing in their household bond.

So let us take the case of Mr R N, a 32-year-old professional man who has a monthly income surplus of R250 that he would like to invest.

He is, he believes, well covered by a number of different assurance policies but has no other investments except his house, over which he has a R149 000 bond that necessitates a monthly R2 624,97 repayment.

Would it, he asks, be best to increase his bond repayment or would some other form of investment promise greater returns?

Investing in your own household bond offers the twin benefits of very high rates of interest combined with tax deductibility. But just how well does it compare with other types of investment?

Turning first to the accelerated bond repayment opportunity and taking an example of a 20 percent mortgage rate, if one invests surplus income by increasing one's rate of repayments, one would be effectively receiving a 20 percent return on the investment.

Furthermore, if one were to put that money into most alternative forms of interest-bearing investments, one would be taxed at one's marginal income tax rate on all interest greater than the R2 000 that the Receiver of Revenue allows one to receive tax-free.

In Mr R N's case, at the 20 percent he is currently paying on his bond, his monthly surplus of R250 would not yield sufficient for taxation until his third year of saving.

However, over time the tax benefit would add up significantly.

Surplus

Were bond rates to remain static in future and Mr R N to simply continue his present monthly instalment, it would take him 14 years and nine months to clear his bond.

STAR
25/4/92 (123)

FOOTSTEPS
TO FORTUNE

25/4/92
RICHARD
Cluver



Were he simultaneously to save his R250 a month surplus income in an investment paying 20 percent he would, by the time 14 years and nine months were up, be

receiving R52 941 a year in interest on his accumulated capital and would undoubtedly by then find himself in a top marginal tax bracket, paying 43 percent on most, if not all, his interest income.

Thus, by investing in his bond he would in his 14th year not only be receiving an extremely high 20 percent return, he would be receiving an effective 43 percent subsidy

from the Receiver of Revenue.

To match that in any alternative taxable investment he would need to find one yielding a 28,59 percent rate of interest.

Were he to add the R250 to his existing bond repayment he would, at present interest rates, have paid off the amount owing in just 10 years.

The effective saving — or, if you like, the return on his investment — would be a third of his present total payments or a total amount of R146 998.

Furthermore, the flexibility now offered by the modern access type of mortgage means one has most of the advantages of a savings account as well as the high interest rates that I have just illustrated.

Tax

If Mr R N needs his accumulated surplus income in a hurry, it is easy to get the money back.

Clearly, too, there is contained within this scheme the possibility to keep on avoiding tax for one would, within a comparatively short time, have accumulated sufficient capital within the mortgage repayment to provide the deposit on a second house.

This could in turn be let to tenants whose rent payments would, in present circumstances, be somewhat less than the interest owing on the second house and thus be entirely tax-deductible.

Indeed, depending upon his personal circumstances, it might be that any losses incurred in the difference between rent income and the costs of the second house could be offset against Mr R N's primary income to reduce his overall tax burden.

Were the latter tax benefit a possibility in Mr R N's case it would be difficult to envisage any alternative investment offering a better overall return, particularly when one considers the multiplier effect that would become possible with successive purchases and mortgages as his capital grew over time.

Taking, however, my calculation of the tax-ef-

fective 28,59 percent annual return he would be receiving from investing in his bond, it is worth noting that three unit trusts have long-term average growth rates that better that figure.

My latest calculation of long-term unit trust returns has the Old Mutual Investors Fund showing an annual average of 31,41 percent, Guardbank 30,6 percent and Sage Fund 28,9 percent.

The basis of the calculation takes R1 000 invested on the last day of December, 1977 with all dividends reinvested.

What this latter calculation does not take into account is the fact that a portion of unit trust income is interest-sourced and is, accordingly, taxable.

My own unit trust database does not include the relative percentages, but on the face of it one might conclude that the best unit trust return would presently be approximately equal to the effective return one would get from investing in one's own mortgage.

Close

But be careful, mortgage rates are at historic highs and have, over the past 14 years — the period of comparison with unit trusts — usually been at considerably lower rates.

In conclusion then, provided you choose the right one, unit trusts remain the better investment but the mortgage route runs it very close indeed.

Bearing in mind the cyclical nature of the stock market and the difficulty one regularly faces if one needs to realise capital at times when the market is down, it thus makes sense to spread one's money between the two different types of investment.

I would accordingly advise Mr R N to put R125 a month into a unit trust and R125 into his mortgage.

● "Footsteps to Fortune" is a serialisation of Richard Cluver's latest book "How To Make a Million" which, together with his other titles, "Making Money With The Mutuals", "Investment Without Tears" and "Advertising For Free" is available from The Promotions Department, The Daily News, PO Box 47549, Greyville 4023. They are R40 each inclusive of postage and VAT.

Own Affairs:

Housing development schemes

such scheme comprise and (c) what is the total actual or estimated cost to his Department of each of these schemes;

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21. Mr K CHETTY asked the Minister of Housing: (2) whether he will make a statement on the matter?

(1) Whether any housing development schemes were undertaken by his Department during the latest specified period of 12 months for which information is available; if not, why not; if so, (a) (i) how many and (ii) where, (b) how many houses or housing units does each

D100E

The MINISTER OF HOUSING AND AGRICULTURE:

(1) Yes, during the period 1 March 1991 to 29 February 1992.

(a) (i) 10.

(ii) Area	(b) No. of housing units	(c) Total actual or estimated cost
Pretoria, Lotus Gardens	893	R45 700 000
Cato Manor, Bonella	1 433	R91 000 000
Brits, Primindia	51	R 1 365 700
Cape Town, Pelikan Park	257	R 5 950 000
Johannesburg, Lenasia South Extension 4	850	R22 000 000
Boksburg, Villa Liza	600	R14 226 025
Richards Bay, Brackenham	277	R22 800 000
Mooi River, Riversdale	92	R 5 378 220
Pietermaritzburg, Copesville	400	R 3 044 744
Pietermaritzburg, Copesville Phase I	343	R 9 162 000
Isipingo, Sub 7	137	R 5 292 405

(2) No.

HOUSE OF ASSEMBLY

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

(Handwritten signature)

General Affairs:

Structural reduction of deficit

*1. Dr W J BOTHA asked the Minister of Finance:

(1) Whether the Government is giving attention to the structural reduction of the deficit before borrowing; if not, why not; if so, what progress has been made in this regard;

(2) whether he will make a statement on the matter?

B555E.INT

*The DEPUTY MINISTER OF FINANCE (Dr T G Alant): Mr Speaker, the answer is "yes". The Government is giving attention within a wider macro-economic context to the structural reduction in the deficit before borrowing. Budget deficits amount to the difference between expenditure and current revenue, with the result that any action in fact has a bearing on the trend in the State's revenue and expenditure.

The structural deficit before borrowing is addressed in the first instance by macro-economic policy measures aimed at a sustainable increase in the growth potential of the economy. As we succeed in structurally increasing the growth potential of the economy, the tax base will increase, presenting the opportunity of meeting the realistic expectations in regard to socio-economic development expenditure without the deficit reaching excessive levels.

The progress made over the past three years includes in the first instance various tax reforms, and secondly, relief of the squeeze on the balance of payments as a result of political and economic initiatives which brought about the lifting of trade and financial sanctions.

An important prerequisite for sustained economic growth is the promotion of macro-economic

stability. Steps to ensure this include attaining effective control of the money supply and accomplishing sound co-ordination between monetary and fiscal policy, especially with regard to the active management of state debt.

Curbing the deficit is promoted in the second instance by a re-allocation of resources to bring about their more effective application and to relieve the pressure on greater state expenditure. In this respect I want to mention four points. Firstly, certain far-reaching policy decisions have already been made to re-allocate more state funds in favour of socio-economic development. Approximately 40% of the Budget goes to social services. Secondly, progress with political reform will create further opportunities for rationalisation of government functions and the more effective provision of social services. Thirdly, various steps, such as those in respect of education and health, are being taken to transfer funds within the ambit of certain government functions to other high priority areas, and, fourthly, departments have already submitted management plans which will soon be considered by the Cabinet to ensure discipline in expenditure this year.

A structural reduction of the budget deficit cannot be accomplished overnight, especially not in a low economic cycle in which the budget deficit usually tends to become bigger.

Structural adjustments in the expenditure budget necessitate non-recurring additional expenditure this year. Added to this are the drought-related costs. State revenue which has increased by only 9% during the past financial year, is still under pressure as a result of the low economic cycle. On account of these non-recurring and recession-related factors it is understandable that the actual budget deficit this year will be substantially higher than the structural deficit.

As regards the second point, the matter has already been fully discussed in this year's Budget Speech and the Budget review. At this stage the issuing of a statement is not deemed necessary.

*Dr W J BOTHA: Mr Speaker, the hon the Deputy Minister thinks he is making progress. In the same way the hon the Minister of Finance, who retires tomorrow, in the past also thought he was making progress. On 12 April 1989 (Hansard)

Conveyancing is protected by its own exclusivity

EVERY person who buys and sells a fixed property requires the services of a conveyancing attorney who in terms of SA law is the only person who can conclude or register the transaction.

However, since financial institutions entered the home loans market, there have been repeated suggestions that allowing them to do their own conveyancing would cut costs for the public and make the whole process more efficient.

Attorney and chairman of the Property Law Subcommittee of the Johannesburg Attorneys' Associ-

ation Michael Young disagrees.

Young, who has been practising as an attorney, notary and conveyancer for 20 years, says conveyancing is a specialist branch of the law.

"The SA Land Registration System, of which conveyancing is an integral part, is generally regarded as one of the best in the world, ensuring consistent security of title.

"Conveyancing deals exclusively with all transactions affecting fixed property such as transfers, registration of mortgage bonds, sectional title

schemes and servitudes.

Young says only a conveyancer, who is an attorney who has passed a special post-graduate conveyancing examination, can conclude or register the transaction.

He believes that "in-house conveyancing" by financial institutions will neither be more efficient or reduce costs to the public.

"To my knowledge there have been few, if any instances when our courts have had to censure a conveyancer for insufficient attention to the registration of a transaction." He used the example of a

typical property transaction involving the purchase of a house for R150 000 house and simultaneous registration of a mortgage bond for R120 000, to show that the conveyancer received the smallest percentage of the fees and outgoings involved.

The Receiver of Revenue received R5 000 in transfer duty, the estate agent R10 000 commission from the seller, there was a stamp duty of R300, while the conveyancer was paid a fee of R1 375 plus VAT and a further R980 for registration of the bond.

"Of these amounts (which total R19 940 including VAT), the Receiver of Revenue receives 35,5%, the agent 52,6% and the conveyancer, who alone takes the rap if anything goes wrong with the transaction or its finance, gets 11,8%.

"Hardly excessive," says Young. "The cornerstone of a stable society is ownership of fixed property which is unassailable.

"The SA system of land registration 'executed' through its conveyancers ensures this — leave well alone."

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Reply substituting reply to Question No 2 on 22 April 1992, put by Mr B B Goodall (col 742):

Housing Development Schemes for Retired Persons Act

*2. Mr B B GOODALL asked the Minister of Trade and Industry:

- (1) Whether the regulations laid down by him for the management of housing development schemes for retired persons are at present applicable to all housing schemes, including those established before the promulgation of the Housing Development Schemes for Retired Persons Act, No 65 of 1988; if not, (a) why not and (b) to what rules are such schemes subject at present;
- (2) whether he will make a statement on the matter?

B442E

THE MINISTER OF TRANSPORT (for the Minister of Trade and Industry):

- (1) No.
- (a) Regulations 7 to 14 promulgated by means of Government Notices R.1351 and R.1349 of 30 June 1989 and 14 June 1991 in terms of the Housing Development Schemes for Retired Persons Act, 1988 (Act No. 65 of 1988), which regulate the management of housing development schemes for retired persons do not apply to share block or sectional title development schemes as the Share Blocks Control Act, 1980 (Act No. 59 of 1980) and the Sectional Titles Act, 1986 (Act No. 95 of 1986) each already provides for a corporate body as envisaged in regulations 7 to 14.

- (b) The Housing Development Schemes for Retired Persons Act, 1988, covers all schemes irrespective of the legal basis on which it operates, including schemes operating in terms of the Share Blocks Control Act, 1980 and the Sectional Titles Act, 1986. All regulations promulgated in terms of the Housing Development Schemes for Retired Persons Act, 1988, cover all schemes established

schools concerned in accordance with procedures which have pertained hitherto. Such an arrangement has been entered into with the responsible departments.

With regard to the current financial year, therefore, rates payable on Model C schools will be paid by the Department of Housing and Works, as has been the case in the past. With regard to the future, various avenues, including those made possible by the Act itself, are being explored by my department and by the hon the Minister of Local Government and National Housing, in his case in terms of a Cabinet resolution.

The investigations are taking place with the best interests of education—including the financial affordability of education—foremost in our minds. The outcome of the present investigations and possible negotiations in this regard will be made public timeously so as to enable all who are involved to budget for 1993.

MR D H M GIBSON: Mr Speaker, a feature of the bad old South Africa which we are leaving behind was luxury standards of education for white children at public expense and abysmal and unacceptably low standards of education for Black children. [Interjections.] All of us have had to come to terms with the idea that the resources of the State are not infinite. In providing equal education, or at least in moving towards that ideal, those who can pay or contribute will have to do so if we are to attain reasonable standards for all.

The partial privatisation of education in the form of Model C schools is a tentative move in that direction. Many people have never realised the enormous cost of running schools. One of the hidden costs involved the payment of municipal rates and taxes by the Government to town and city councils. Private schools have enjoyed the advantage—and I certainly trust that they will continue to enjoy the advantage—of being exempt from paying rates because the ordinances provide an exemption for educational establishments. All Government schools have been paying rates for the past few years and millions of rands have been paid from the central Government to city councils every year throughout the country.

Schools which have become Model B schools now received a major shock when they discov-

ered that they are to be responsible for the payment of rates in future.

The hon the Minister has announced that they need not worry about the coming year and that he is negotiating at present. I certainly thank him for that and those schools are very grateful that at least they are not faced with the problem this year.

However, the problem is that unless this matter is resolved, and very soon at that, it will mean that those Model C schools will, in fact, have to pay rates to the tune of millions of rands next year. Many schools will have to pay R100 000 per annum in rates and some of them will have to pay as much as R200 000 and R300 000 per annum. In many cases the parent communities simply cannot afford to make payments of this nature, and we could end up with the educationally disastrous situation of many of the Model C schools becoming too expensive to accommodate the children of ordinary working people. This is something which simply cannot be tolerated.

I urge the hon the Minister to take every possible step, in concert with his colleagues, to ensure that properties belonging to these schools are exempted from tax and rates, because they are, after all, educational institutions. If these negotiations do not succeed, we ask him, at the very least, to give the Government's unequivocal undertaking that they will pay those rates, now and in the future.

*MR A GERBER: Mr Speaker, the interpellation question before us does not actually deal with the very real financial problem the Government has created by its unilateral implementation of Model C schools. It is true that municipal rates on school properties constitute a large amount which now has to be paid by parents. The financial problems with regard to Model C schools will not be solved, however, if schools are exempted from those rates. That money has to come from the community in any case. Whether it is paid directly to the school by the parents or whether it is paid indirectly in the form of additional rates to the local authority, is not really of much consequence.

The basic problem is that the community which is already overtaxed—and the Government admits that our people are overtaxed—cannot afford to contribute large amounts for the financing of education. It is all very well to argue that almost

Tenants drag heels on rent as inflation bites

CT 29/4/92

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By MAGGIE ROWLEY
Property Editor

THE number of late payers of residential rents has soared by 20% in the past four months, according to Bill Cox, Cape director of letting agents H Lewis Trafalgar.

And the number of these late payers handed over to attorneys had grown by 12% in the same period, he said.

"Not all of these people are being evicted. Some manage to come up with the rent and one way or another we ensure that our clients get their money but the situation in the present economic climate is definitely worsening."

Cox said they did not expect the situation to improve before well into next year and all managing agents were going to be forced to step up their credit controls.

He said also of concern was that for the

first time in two years they had some vacant flats on their books.

"While it is too early to tell if this is a definite trend it appears that the economy is really starting to hurt middle income earners in all suburbs," he said.

Cox and other leading agents said that residential rentals in both top and lower brackets had increased by an average of 20% in the past year and were likely to show the same growth over the next 12 months.

Many landlords were reviewing rentals every four to five months and increasing rents on average twice a year.

"But even with these increases they are still not getting the same returns that commercial landlords are. The gap between commercial and industrial rentals is still about 5% to 6%."

Hugh Denny, Cape regional director of Pam Golding Properties, said they had a waiting list at the top and lower end of the

market and properties were being snapped up immediately, particularly in the southern suburbs, city bowl and Atlantic seaboard.

However, there was some oversupply in the middle income market and these were consequently proving harder to let.

He said there was no shortage of tenants for properties with rentals of between R4 500 and R8 000 a month.

"In fact this market is undersupplied. It would appear that due to the political uncertainty and economic situation there are an increasing number of people in this sector who are choosing to remain liquid and rent rather than buy properties."

Denny said they had recently let a couple of properties for around R8 000 a month on a long-term basis with built in escalations of 12,5% for the first year, 15% for the second year and 17,5% for the third year.

Consult the homeless, conference told

SA's homeless — estimated at up to 10-million — were systematically excluded from decision-making on issues directly affecting them, Operation Masekhane for the Homeless (Omhle) chairman Dan Moshugi said in Johannesburg yesterday.

Opening the first conference on the homeless, Moshugi said the major problems facing SA's homeless were poverty, inhuman living conditions and exclusion from consultation and decision-making in housing matters.

He pointed out that the De Loor Commission on Housing, which recently delivered a report to government, had not bothered to talk to

8/10/92 30/4/92
ANDREW KRUMM

Omhle, a grassroots organisation which claims to represent 600 000 people in 800 homeless communities.

"This insensitivity does not only apply to government — other institutions are equally to blame."

Moshugi said site and service housing projects undertaken by independent developers without consultation were often "a recipe for instant slums".

He said if organisations like the Independent Development Trust and others combined efforts with Omhle, the result would be more and cheaper housing.

"Our people are willing to help themselves, but need proper building skills and affordable, good quality materials."

Moshugi proposed the initiation of building material depots and linked self-help training programmes in homeless communities to stimulate the housing market and provide employment.

"Initial funding to get community depots started would cost a fraction of site and service developments, and training programmes supported by the Department of Manpower could stimulate employment and building development."

The challenge that binds the nation

810 Day 30/4/92

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IT IS perhaps a bitter irony that, at the precise stage in our country's history when we have most need for an expansion of human opportunity, there are so many factors impeding the exercise of our capacity for development.

SA is going through a difficult transition to democracy. Democracy is indeed a necessary condition for progress. However, it is clearly not a sufficient condition. What about the socioeconomic milieu in which this fragile democracy will have to be launched and take root?

Last year our rate of absorption of new labour dropped to well under 10%, at least in the formal sector. The recession, which deepened in the latter part of 1991, has caused an unprecedented surge in urbanisation. The drought will add to the push towards urban areas. There may be well over 7-million people living in informal accommodation in and around our cities.

In urbanising SA, there is not only competition for jobs but also for living space, and there is great pressure on all urban facilities. The result is a climate in which violence flourishes.

The economy, while sluggish, is not without promise. The favourable export performance is one indication of strength. The so-called informal sector seems to be expanding, even though earnings per entrepreneur have dropped. We have some 25% spare capacity in manufacturing. Although the flow of capital from abroad is constrained, raising funds through bond issues and commercial loans abroad is becoming more and more real and necessary.

We need to unlock this potential as far as our internal industrial plant and markets are concerned. This is where housing provision and the construction industry in general have such an important role to play.

Proposals have been made for using housing delivery as a "kickstart" to inject vitality and a higher growth potential into our economy. I am fully aware of the criticism of these proposals. I accept that attempts to use specific growth stimulus like housing and electrification cannot be

At a time of widespread violence and hostility, SA's leaders could find a unifying cause in the battle against poverty and homelessness. Independent Development Trust chairman **JAN STEYN** sets out the task.

at the expense of other established sectors of wealth creation, like our basic industries, our export earnings, our diversified corporate enterprises with their immense capacity to invest. Obviously we should not look for "quick fixes" from single elements in a complex economic mix.

Nevertheless, site provision and housing delivery are some among other important bases of renewed economic activity. There are multipliers of up to a factor of two or even three associated with the development of accommodation. Like our other growth potentials, this strategy cannot be ignored.

We must also consider that we have the instruments for such development in place. The capital subsidy scheme for first-time site owners, administered by the IDT, has already started to produce substantial numbers of new property owners:

- Work has started on a total of 45 000 sites (greenfields 25 000, in situ upgrade 20 000);
- More than 3 000 sites had been transferred by April 1. This will build up to 20 000 by the third quarter this year.
- By the end of May, construction will be completed on the following projects: Zweihle-Hermannus 460 stands; Thabong-Welkom 1 898 stands; Manyatseng-Ladybrand 234 stands; Zizamele-Butterworth 568 stands; Moleleki-Katlehong (E Rand) 1 500 stands; and
- The present rate of transfer is 650 a week. We are paying out a total of R5m a week in implementation.

The cost of implementation has been at 1,5% of the amount administered, and the

project is managed by a total of five IDT staff members.

Now that the most recent Budget has continued to allocate special funds for low-cost housing, R500m having been provided for housing and related infrastructure, we in the IDT could well be positioned to maintain and increase the impact of this exciting initiative. Indeed, it is imperative that we should be empowered to do so.

We do hope, however, that once the De Looor working group's recommendations have been translated into an acceptable national housing policy and a single housing department is established, a wider range of subsidies will be available to ensure a more balanced and rounded financial framework.

We believe the IDT is poised to make its role in socioeconomic development more effective and more attuned to the complex pattern of needs and requirements. We are determined to work with influential political, economic stakeholders and relevant negotiation initiatives in achieving a policy which will be jointly "owned" and broadly supported within the political communities.

Clearly, however, the sociopolitical environment is presently not conducive to this kind of broadly based development thrust. The rent and service boycotts, which wax and wane, do not inspire investment for confidence; nor do the politically inspired, unsatisfactory levels of bond repayments in some areas. Political constraints on the repossession of houses even after elaborate procedures to correct

arrears, constitute a further problem. Crime, consisting of vandalism on construction sites and payroll robberies, adds to the constraints.

The quality of leadership in our politics has time and again salvaged the political negotiation process. This same quality of leadership should also actively pursue the facilitation of the socioeconomic development processes so necessary to accompany the political changes being negotiated. This does not stop at public statements; it requires active encouragement on the ground for constructive involvement in development initiatives.

All societies aside from competitive politics and unavoidable conflicts of interest need some kind of underlying collective commitment to a common cause. Some societies are fortunate in that they have a common nationalism or a generally respected monarchy, flag, constitution or set of national symbols. We do not yet have these binding elements. However, we do have common and shared challenges, and a realisation that we have to address these challenges as a unified society.

Development has to become our binding force and the basis for the underlying cohesion that all societies need. My plea is: let us make the battle against poverty a national priority binding us together, committing ourselves to seek its ultimate eradication. It is an achievable goal.

This is an edited extract from a speech Steyn delivered yesterday at the opening of the Kaalfontein facility of Blue Circle Cement.

Housing spending forecast

610ans
'incorrect'

30/4/92
ANDREW KRUMM

REPORTS that budgeted expenditure on low-income housing will nearly double this fiscal year are incorrect, says Stellenbosch-based Medium-term Forecasting Associates (MFA).

Director Johan Snyman said reports comparing 1991/92 to current fiscal expenditure were invalid as they included proposed "off-budget" items such as spending by the Development Bank, SA Housing Trust and the Independent Development Trust, but excluded similar items in the 1991/92 estimates.

An MFA analysis put the figure at a 47% increase in nominal terms (32% in real terms).

Snyman said a total of R3 747m was available for low-income housing in 1992/93 compared to the R2 558m from all sources in 1991/92.

The major component of the rise was the allocation of R500m and R294m to housing from the State President's R1bn fund and the sale of strategic oil reserves respectively.

Snyman said it was unlikely the full R3 747m would be spent.

"Judging from experience, long delays in the implementation of housing are to be expected."

He attributed this to government's failure to "streamline the housing delivery process".

Snyman said although Finance Minister Barend du Plessis had referred to speeding up township development in the Budget speech, "it is regrettable the Minister never referred to the De Loor Commission report on housing policy".

The report has not been made public.