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KEYNOTE ADDRESS BY THE HONOURABLE MINISTER OF HUMAN SETTLEMENTS,
MS LINDIWE SISULU, AT THE JOINT AUHF AND IUHF CONFERENCE AND AGM:
UNDER THE THEME: REALISING AFFORDABILITY IN GLOBAL HOUSING MARKETS.

04-06 NOVEMBER 2019, CAPE TOWN

Programme Director

Honourable Chairperson of the African Union for Housing Finance, Mr.
Joseph Chikolwa

Honourable President of the International Union for Housing Finance, Mr
Andreas Zehnder

Invited International Housing Ministers

Western Cape MEC for Human Settlements Honourable Tertius Simmers

Executive Mayor of the City of Cape Town, Honourable Dan Plato

Banking Association of South Africa, Managing Director, Mr. Cas Coovadia

The Board Members of both AUHF and IUHF

Human Settlements Portfolio Committee Members and Councillors present,

Distinguished Guest

Ladies and Gentlemen

I would like, first of all, to thank both the African Union for Housing Finance and the International Union for Housing Finance for choosing South Africa to be the international platform for this Conference.

Before going further into the subject at hand, allow me to congratulate the organisers of this Joint 35th African Union for Housing Finance Conference and 31st International Union for Housing Finance, and World Congress.

I am certainly pleased to be standing here today under the Conference theme, 'REALISING AFFORDABILITY IN GLOBAL HOUSING MARKETS' which couldn't have come at the best possible time in our country.

My remarks this morning will consist of three parts. The first provides an overall perspective on the universal housing delivery and affordability challenge experiences; the second, will look at the prospects and some challenges facing housing affordability; and the final part will provide an insight into how we have been attempting or learning to address these, from the South African perspective.

Globally, housing and housing security remains a major issue of concern amongst many people. In a survey conducted by the OECD, respondents were asked what supports they would need most from government to make them and their family feel more economically secure. They could choose from a list of nine supports, which included support on pensions, healthcare, public safety, jobs and skills, amongst others. Housing was seen as number four in terms of 9 concerns. This was especially so, amongst young people between the ages of 18-29.

It is now no longer in debate that there is a severe shortage of housing in Africa, especially so, for low income households and poor people. We also

know that we face rapid urbanization in Africa, which is a major issue and the complexity we face in thinking about housing and human settlements.

Currently, over 50% of the world's population lives in urban areas. This is expected to reach over 80% by the end of this century. Sub-Saharan Africa (SSA) is often regarded as the world's fastest urbanizing region. Our urban areas currently contain 472 million people, and will double over the next 25 years, according to statistics by the United Nations.

Goal 11 of the Sustainable development goals to "Make cities and human settlements inclusive, safe, resilient and sustainable", with a target to ensure that "By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums"

In the context of this Conference, we must read Goal 11 with Goal 9 which has the target to "Increase the access ...to financial services, including affordable credit, and their integration into value chains and markets"

According to McKinsey Global Institute, the one feeling that unites billions of people in cities around the world, is a sense of shock, whenever they attempt to find a new home. The reality is that, no matter which major city it is, housing costs are creating financial stress for a large share of the world's urban residents. Rents and home prices have risen far faster than incomes in most countries, particularly in big cities, where people want to live and where job opportunities are concentrated. The issues affects everyone, from informal settlements or slum residents, living on margins, to lower and middle-income households. At the heart of the issue, is the extreme imbalance in supply and demand.

The world's urban population has been rising by an average of 65 million people a year, over the last three decades, and this and the continuing trend toward rapid urbanisation are fuelling steady demand for housing that outstrips supply.

For our purposes at this Conference, and speaking from government perspective, I venture to say housing affordability describes the relationship between housing and its users. It is a measure of a person's ability to afford to live in a given housing unit. A reliable and efficient measure of housing affordability is very important for policymakers for a number of reasons. Firstly, an efficient measure of housing affordability is often used as the basis for allocating government funds for housing programs. Secondly, individuals can utilize this measure to make informed decisions about where to live. Third, the housing affordability measure can assist government and its agencies and not-for profit organizations to develop realistic estimates, and thus use public funds more efficiently.

The affordable housing market outlook faces a colossal challenge with respect to supply and demand side challenges. The sluggish economic growth, weakening fiscal outlook, high unemployment rate, debt-to GDP ratio, and the rate of urbanization remain debilitating challenges for us to deliver on our mandate.

The Department derives its mandate from Section 26 of the South African Constitution (Act 108, 1996) which states: 'Everyone has the right to have access to adequate housing. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right'. In addition, South Africa, as a member of the United Nations, has an obligation to meet the agreement expressed in the Sustainable Development Goals, which states: 'halve the proportion of

people living in slums by 2030'. The country is also expected to continue realising the obligations in the Millennium Development Goals that state: 'by 2020 a significant improvement in the lives of at least 100 million slum dwellers will be achieved'.

Realising affordability, on the demand side, is among others, achieved by expanding housing finance down market and is also part and parcel of accomplishing the MDG goals. Yet the biggest constraint on housing development and one of the major cost drivers, is access to well-located and affordable priced land. Globally, it is estimated that unlocking land to the fullest extent, could reduce the cost of owning a standard housing unit by up to 20%. Therefore, housing affordability in most countries remains a challenge or is illusive, due to these and a range of other factors, like the cost of capital; poor credit records of prospective homeowners; and lack of collateral security, for the low to middle income earners, which also impact on secondary market activity.

The functioning of the affordable housing market and scalability of human settlements have also been constrained by the lack of innovation in relation to product range and diversification.

Also on the demand side, the high levels of consumer indebtedness are noteworthy impediments. That has become a key deterrent to institutional investors to granting credit and extending mortgage finance to low and moderate income households. This is demonstrated by our own statistics from the Office of Disclosure as measured from all the financial institutions. The figures show that in 2016, a total 1,3 million applications were received by all financial institutions, and 625 000 of which were rejected. The majority of the declined applications were in the low and middle income households, households earning R3 501-R15 000 a month. In 2017 the total of all mortgage loan applications received were approximately 1.1 million and 453 000 were declined. It cannot be business as usual.

The trend points towards a coherent response to systemic challenges in the mortgage markets and it is absolutely an imperative. I have no doubt, ladies and gentlemen, that at the end of this Conference you would have come up with affordable, innovative and sustainable solutions options, aimed at upscaling the delivery of human settlements across the developing and emerging economies.

Since 1994 the ANC led government has delivered nearly 4m housing opportunities, mainly through supply side initiatives, supported by subsidized housing programs for no/ or low income household.

Delivery has reached a point of inflection with demand outstripping supply. As mentioned earlier, rising costs, population growth and rapid rates of urbanization have all contributed to a housing backlog of nearly 2.3m houses.

The situation is exacerbated by the nearly 9m households that are renting a family home either formally or informally. (Statistics SA).

Housing delivery has become a central theme in service delivery protests and unrest.

While both demand side and supply side interventions are needed to address this challenge, private sector participation in the credit linked or affordable housing markets will help ease the pressure on government and satisfy a significant sector in need of housing.

This is not going to be easy.

In the quest to champion affordability in the South African Market, a number of well co-ordinated and effectively managed instruments and initiatives, both on the demand and supply side have been embarked upon by my government, namely :

In dealing with the access to affordable and well located land and the exorbitant costs thereto,

- ✓ I have established the Housing Development Agency (HDA) to mobilise, well located land and make it available for the development of integrated sustainable human settlements, in a co-ordinated and efficient manner.

- ✓ The issue of land expropriation is very pertinent to the fulfilment of this mandate, for the majority of the people in our land.

- ✓ Also coupled with that, is the acquiring of abandoned buildings in the inner city and making those available for affordable rental.

For the very low and middle income households, through the Social Housing Regulatory Authority (SHRA), we are able to provide social rental housing, where very low, affordable and controlled rental premiums are charged by accredited Social Housing Institutions.

To drive innovation, I have mandated the National Home Builders Registration Council (NHBRC) to lead the piloting of affordable alternative technologies as real options for the development sustainable human settlements. This will help to accelerate and deliver housing at considerable low costs.

Part of our own programme design in stimulating the functioning of the affordable housing market and scalability of human settlements delivery was the setting-up of the Human Settlements Development Bank (HSDB), transitionally is, the consolidated NHFC. The Apex institution's core rationale, resides in the need to provide effective government funding and financing in a sustainable, co-ordinated and integrated manner, and help us create an expanded and inclusive housing finance market, aimed at achieving the following :

- ✓ Mobilise increased and sustained private secured credit for housing to households;
- ✓ Provide through various delivery channels, increased private unsecured credit and mobilise households savings and contributions. Furthermore, microfinance continues to be a growth area with significant potential, in view of the pending rapid land release programme and the upgrading of informal settlements.
- ✓ Facilitate and support of credit extensions and finance innovation, including innovative rental developers in the township market, called backyard rentals
- ✓ Maximise leverage of government housing finance assets and other support to the human settlements value chain, in the face of market failure and significant need, and
- ✓ Facilitate the transformation of the sector by supporting emerging and start-up developers, rental entrepreneurs, women and youth to be participants in the mainstream housing market and through partnerships catalyse activity in the secondary market, including the township residential property market

On the demand side, a Finance Linked Individual Subsidy Program instrument (FLISP, for short) has been had positive recent policy adjustments. A technology interface architecture is been designed to interface with all key origination platforms. FLISP is an income-based subsidy intended to assist financially constrained borrowers in then affordable housing market. The subsidy which acts as a deposit and improves home loan equity and affordability. This will significantly reduce the turnaround time from weeks to just to seven days.

I am happy to advise you that during this FLISP transitional phase we have given NHFC **R950m** for FLISP for Medium Term Expenditure Framework

and for the first year, funds are already committed to deliver a total of **2 572** subsidies and **R882m** has been leveraged from financial institutions.

Our FLISP projections indicate that by **2020/21** we would have delivered a total of **10 277** subsidies and leveraged **R4,6bn** from our banking partners.

While housing affordability and affordable housing may be difficult to only address through policies and programmes, I want to suggest that other methods, like inclusionary housing, supporting the growth of the secondary market, confronting the well located and suitable land cost issue and incentivising the respective role players to respond positively to the addressing of the affordability challenge, do warrant a resilient push.

In conclusion, I must say that the theme for this conference on “Realising Affordability in Global Markets” is both timely and appropriate given the importance and potential of governments to playing a critical catalytic / enabler / orchestrator role.

I am pleased to note that, at this Conference, as distinguished experts, practitioners and panellists, you are here to share your views on various elements relating to Realising Housing Affordability in Global Markets. I am confident that your endeavours to learn and share, as well as to exchange views on areas that are of particular interests and benefit to you, will, in the final analysis, be very rewarding.

Finding an affordable place to call home, has become an issue for the citizens around the world. Our instruments, methods and approaches alone cannot close the gap, to improve the quality of lives of the people, to remain inclusive and to ensure that housing shortages do not become a drag on economic growth, we have to redouble our efforts and pursue our nascent strategies, in parallel.

Given the extent of the unmet demand today, there is no time to lose.

Thank You for Inviting Me!!!!