HOUSING & HOSTELS - GENERAL
1988
JANUARY - JUNE.
Allied offers 11.5% bonds for the rich

BUILDING societies, which have been losing customers in the bond rate war, are flexing their banking muscle.

Determined to increase its market share, Allied Group is the first to meet banks head-on with new housing loans at interest rates ranging between 11.5% and 12.5%. Other building societies are also expected to counter-attack.

Allied is offering bank housing loans and building society bonds under one roof. Existing clients may switch from a building society to a bank loan without incurring major re-registration costs.

First phase

Allied plans to wipe out the gap between interest rates it charges for new and existing borrowers. Last night it announced it had reduced the interest rate on its one-year fixed rate bond from 14% to 13.5% - getting closer to the 12.5% the banks are charging.

This is only the first phase. More goodies for borrowers will be introduced in the next few months, it says. "Business Times" believes an announcement will be made at the end of January.

The Allied Group is using its banking muscle - Allied Bank - to employ cheaper short-term funds for what it calls the Bank Bond.

But you have to be well-off to qualify for this bond.

The 12.5% interest rate is only for borrowers who earn more than R40 000 a year. This applies to the income of the main breadwinner - the combined income of a husband and wife will not be considered.

For the 11.5% interest rate, you have to be even richer. Only those with a minimum annual income of R50 000 and who possess realizable assets worth more than R110 000 qualify.

Most important

Managing director Kevin de Villiers says banks charging 11.5% and 12.5% apply the same qualifying standards. He says they are insisting on a good reason.

"A Bank Bond is not a recommended method of home finance except for those borrowers who have sufficient financial resources to protect themselves should the general pattern of interest rates start rising again."

"For most people, the purchase of a home is the most important financial decision they will ever make and it is essential that they enjoy the stability of traditional building society finance."

Mr de Villiers says that when banks using expensive short-term funds had to charge 23% interest on housing loans some three years ago, building societies (enjoying cheaper long-term funds) asked for only 18%.

Guaranteed rates

"Mr de Villiers says advances can be as high as 100% of a property's valuation. Personal loans may be negotiated to cover additional expenditure. This is much in line with what banks offer."

"But where Allied has stolen a march on some banks is that the Bank Bond can be used by people who wish to build a home - drawing against the bond as work progresses."

Some banks have guaranteed their rates for up to a year and will give long notice of any increases. Mr de Villiers, however, stresses that the Bank Bond, in contrast to those on housing loans from Allied Building Society, could be more volatile.

"There is evidence that bank housing loans are volatile. One reason for setting a different set of qualifications for borrowers using bank finance is that these clients are people who are, or should be, financially cushioned against undue hardship if there is a significant increase in the cost of bank finance, as happened three years ago."

"It is recognised that consumers, particularly those in the higher-income groups, are extremely conscious of interest rates. The bank acknowledges this and adds another to the range of choices Allied offers its clients."

Commenting on the decision to eliminate anomalies in interest rates applicable to new and existing building society bonds, Mr de Villiers says.

"That since November, new Allied Building Society advances have borne interest at 13% and earlier ones cost 14.5%.

"We were never comfortable with the gap, but we can bear some reasons for it. Existing bonds were still being funded from deposits made more than a year ago when interest rates were much higher. New bonds, on the other hand, can be funded with recent deposits, the cost of which is considerably lower."

Mr de Villiers warns that the reverse could also happen, as it did in 1984-85 when interest rates rose and new borrowers had to be charged more than older ones.

"Nevertheless, this gap is undesirable and we hope to avoid such inconsistencies."

All Allied borrowers - including those paying 14.5% interest on bonds - may take immediate advantage of the lower interest on the fixed rate bond.

On a R110 000 bond, the reduction in interest rate would be R7 a month.
From ROY COKAYNE Argus Financial Staff

PRETORIA. — Relief is in sight for some of the thousands of existing bondholders locked into higher interest rate bonds as the battle for market share between banks and building societies intensifies.

Existing bondholders have been "discriminated against," and forced to pay a higher rate as building societies and banks slashed the rate for new clients.

But Allied Group managing director Mr. Kevin de Villiers today said his society intended eliminating the differential between new and existing bonds "even if it hurts us."

The Allied currently charges 14.5 percent on existing bonds and 13 percent on new bonds.

"This gap is undesirable and the Allied hopes to avoid such inconsistencies in the future," he said.

Close the gap

The Allied intends to close the gap — probably in two or three stages — in the next few months with the first reduction announcement likely before the end of January.

The Allied has already announced a reduced rate of 13.5 percent with immediate effect for its one-year Fixed Rate Bond — one of a range of fixed rate options it offers clients.

The Allied decision means only two of the five major building societies still have to announce adjustments to their existing bond rates — the SA Perm and Saambou.

SA Perm senior general manager Mr Hugh MacLachlan said they were "continually assessing the situation." It is charging both existing and new clients 14.5 percent.

Saambou chairman and managing director Mr Hendrik Strydom said they were constantly looking at their bond rates but only anticipated a decision in two months. He would not speculate what the decision would be.

Clarification

"I want to have more clarification about what is happening in the market. At the moment the situation is as clear as muddy water. There has been some hardening of the deposit and short term rates and I'm not sure it's just a seasonal thing. I'm sitting on the fence at the moment," he said.

The Saambou rate on existing bonds is 14.5 percent while new clients can get 12.5 percent if the bond does not exceed 50 percent of the purchase price or valuation of the house. New normal bonds are charged at 13 percent.

The Natal Building Society's rate on existing bonds will drop to 13.5 percent — the same as that being offered to new bondholders — from February 1.

The 14 percent the UBS charges on existing bonds will drop to 13.5 percent from March 1. New bondholders will be charged 12.5 percent — the same as the banks.

The Allied will also introduce a "bank bond" for home owners. Initially the bond will carry a fluctuating rate between 11.5 percent and 12.5 percent according to the net worth and income of the borrower.
New look at urban housing norms

THE RAPID urbanisation of most of SA's population is putting increasing pressure on existing housing, and the call for moves away from strict health and building regulations is growing stronger.

A recently-released review by the Housing Research Information Service of the CSIR's National Building Research Institute (NBRI) repeats estimates that, by the year 2000, about 93% of whites, 86% of coloureds, 93% of Indians and 78% of blacks will have been urbanised.

That the review suggests, authorities should dispense with prescription in respect of the house itself, as long as water supplies, acceptable sanitation, regular refuse removal and public cleansing services are provided.

It is noted that the main problem in informal and squatter settlements does not stem from occupation of a shack or a shelter which does not conform to normal health standards but with the absence or inadequacy of the basic infrastructural services demanded for the preservation of health, such as potable water.

"Although informal housing is generally frowned upon, there has been a considerable input by the NBRI to offer innovative solutions to some of the problems encountered," says the report.

The NBRI has itself promoted relatively simple yet effective drainage and sanitation systems capable of being used in informal settlement and other residential areas.

The introduction of low-key health norms suggests, it says, that provided ownership or rights of tenure to land are secured, and elementary services are available, informal housing and settlements could yet fulfill the needs of the average family, serving at the same time as vital reception and transition areas for people entering the urban environment.

The area of informal and low cost housing is currently receiving the attention of many of the country's developers, builders and communities.

A computer-based Housing Delivery Systems Analysis (HSDA) system evolved by the NBRI provides a means by which builders can evaluate their systems, their performance, flexibility and suitability in the marketplace.

Interestingly, it shows there is a trade-off between jobs created and production rate — a delivery system with a high rate of delivery tends to generate fewer jobs per house than slower systems.

Analysis shows clearly that house size has the greatest influence on cost and the standard of service the last.
9% house price rise

AIDA Real Estate reports record sales for October and November, house prices being 9% higher on average over the same time in 1986.

It sold R8-million of houses through the financial rand last year, indicating that purchases from abroad are higher than in 1986.
UBS puts up bond cancellation charges

The Argus Correspondent

PRETORIA. — The United Building Society has sharply increased its bond cancellation fee, a move widely interpreted as an attempt to deter its existing bondholders from switching to another financial institution.

The increased fee is apparently the latest salvo in the home loan battle for increased market share between banks and building societies.

However, UBS general manager Mr Piet Kruger denied the cancellation fee had been increased as a form of “penalty”.

“That was not one of the reasons why we increased it at all,” he said.

ATTORNEYS’ FEES

The UBS has introduced a flat rate fee of R200 for any bond cancellation. Before, UBS bondholders were charged about R35 in attorneys’ fees to cancel a single bond on a property. About R130 was charged to cancel any additional bonds on a property.

Clients at all the other major building societies are charged only the attorneys’ fees involved in a bond cancellation.

UBS assistant general manager (loans) Mr Trevor Olivier said the UBS’s increased fee was a deterrent to people thinking of switching their bonds.

A Trust Bank spokesman said the move was “good news” because it meant the UBS was trying to protect its market share.
Allied announces 1% bond rate cut

The Argus Correspondent
PRETORIA. — The Allied Building Society has slashed the interest rate charged on existing bonds by one per cent to 13.5 percent — and committed itself to achieving parity between the rate charged on new and existing bonds by the end of May.

The cut, effective from the end of February, will reduce the rate gap between new and existing bonds at the Allied and match cuts on existing bonds already announced by the United and Natal building societies.

These bond rate cuts will bring relief to some of the thousands of existing bondholders at several building societies who have been "discriminated against" and forced to pay a higher rate as building societies and banks slashed the rates for new clients in intense competition for increased market share.

The bond rate cut has been announced by the Allied in spite of the sharp increase in money market rates and the

bank prime rate since the beginning of the year.

It is also likely to put increased pressure on the SA Permanent and Saambou National building societies to narrow the gap between the rate they charge on existing and new bonds. They are the only two major building societies that have not yet announced a cut to the rate on existing bonds.

Traditional

Announcing the rate cut today, Allied Group managing director Mr Kevin de Villiers said new borrowers would continue to pay an interest rate of 13 percent on traditional bonds.

A decision on how to close the gap between new and existing bonds would be taken as interest rate trends become clearer.

Mr de Villiers said the rate gap between new and existing bonds was a result of the fact that existing bonds were funded with relatively expensive deposits while new borrowers could benefit from deposits accepted by Allied at lower rates.

The Allied has also announced the introduction of a range of short-term fixed deposits — all maturing in 364 days or less — to improve its range of investment products and obtain a better balance of funding.

This is a market that is closed by legislation to traditional building societies but heavily promoted by the banking sector. The Allied is entering through its banking arm, which now operates virtually throughout its branch network.

The short term deposits are for terms of between 32 and 364 days and interest rates vary according to the size of the deposit, the term of the deposit and the frequency of interest payments.
Vatican highlights plight of homeless in SA

The Argus Foreign Service

ROME. — The Vatican has called for housing to be shared out fairly to ease the "alarming" plight of the world's homeless — and cited South Africa as one of the nations where millions are living in "inadequate habitations".

The historic report was introduced by Pope John Paul himself.

The 30-page document — drawn up with the help of the episcopal conferences in South Africa and 59 other countries — stated: "In certain large cities, the number of empty houses would . . . provide for the majority of the homeless, however numerous they may be.

"Public authorities have the obligation to establish norms regulating the just distribution of housing.

South Africa's case is mentioned in a separate Vatican dossier, which says the problem of the homeless there is "a direct result" of apartheid and attacks the Group Areas Act.

"According to the most recent report of the national building research institute, about 3,500,000 people are living in inadequate habitations in South Africa.

"A particular problem is that of the 1,500,000 workers forced to live away from their families."

The overall report, drawn up by the commission headed by French cardinal Roger Etchegaray, gave other "alarming statistics." A thousand million people, that is one fifth of the human race, do not have decent housing.

"One hundred million people quite literally do not have a roof over their heads."

But the statement added that governments should not shoulder the burden alone. "The homeless should be encouraged to form grass roots associations for the purpose of procuring housing, once informed of their rights, and if necessary with legal assistance."
EAST LONDON — Only 9.7 per cent of the 96,045 State-owned houses in the Eastern Cape have been sold to tenants in black urban areas, a figure which compares unfavourably with sales in other areas.

According to a press statement issued by the Transvaal Provincial Administration, Transvaal sales during December totalled 21.65 per cent of the 240,965 houses available.

Sales in the Western Cape totalled only 7.61 per cent of the 20,041 houses available, and in the Northern Cape 25.33 per cent of the 10,786 houses available.

Natal sales totalled 12.03 per cent of the 9,961 houses available, and Free State sales totalled 20.8 per cent of the 17,041 available houses.

The executive director of Community Services for the Cape Provincial Administration, Mr. D.J. Retief, said average sales figures in the Cape Province as a whole totalled about 10 per cent.

The low sales figures in the Eastern Cape could be attributed to unemployment and unrest in the area, he said.

"Unrest prevented land surveyors from completing surveys in the townships, so building was delayed," Mr. Retief said.

Surveyors could only begin work in the Western Cape once leasehold rights had been introduced.

"The delay meant that the action started late here, which explains lower sales figures," the statement said.

The experience in the United Kingdom has shown that the privatisation of Council houses has usually resulted in improvements to the homes in question and a general enhancement of living conditions.

The same applies in this country, where the value of privately owned houses has risen due to improvements and renovations. — DDR
Swinging to the sellers

The white housing market, until recently a buyer's dream, is turning into a seller's delight.

Following an uninspired third quarter last year, the market has shown a remarkable turnaround in the past few months.

Prices of existing homes, especially in the middle and upper brackets, have risen rapidly, largely driven by a shortage of stock. Sales have been driven, too, by the fear that bond rates will rise rapidly in the second half of this year and money will once again become scarce.

Mario Pretorius, MD of Aida National Franchises, says his records show prices of existing houses in January were, on average, 9.5% up on December — although only 10% up on January last year.

What's more, he says that although there is always a shortage of stock "at acceptable prices," this has been exacerbated recently as sellers' expectations were raised in anticipation of a property boom.

Another consequence of the stock shortage is that many would-be buyers have turned to building new houses, despite hefty materials cost hikes and increases in builders' margins. Previously undeveloped townships are now mushrooming.

Rob Crockett, deputy MD of Schachat Homebuilders, estimates that sales of new houses will increase by at least 10% this year, and that prices will rise by around 20%.

However, it is not only the sellers' perceptions which are changing — Frank Berkeley, Gough Cooper MD, says buyers are now going into the market prepared to pay far more than a few months ago — provided the location is right.

His company's development Ashdown Forest, in Bedfordview, sold out in six months — with prices rising from R118 000 in August to around R225 000 in January, mostly because of building cost escalations.

Stableford Mews, just off the golf course in Randpark, was sold out in the two months following its November launch — at prices ranging from R180 000 to R250 000. Entry level on the second phase is pitched at R130 000.

Both these developments also have good security systems, which are proving another major attraction for builder-buyers.

Amaprop's Peter Gardiner says land sales worth R5.7m were notched up at Fourways Gardens in Sandton last year, with the bulk changing hands in the last half of the year. Stands in the township, which has 24-hour security, start at R43 000. Around 100 of the 321 stands in the first phase are left, but already 55 houses have been built and another 35 are under construction — at prices ranging from R120 000 to R250 000.

In another residential development, Dovehouse at Gillits in Natal, Amaprop sold 200 stands last year and is launching another phase of 89 stands at prices ranging from R30 000 to R35 000. Houses will cost R120 000 to R200 000.

In the Cape, traditionally some way behind the PWV area and Natal on price, developers are also surprisingly bullish.

Entrepreneur Harry Fuchs has just launched an exclusive, 17-unit scheme on the slopes of Signal Hill. It is to be known as De Waterkant Piazza and its 130m² double-storey units will sell for R190 000 and up.

Then there's the R50m plan to put 400 houses and a hotel alongside the golf course in East London's Bunker's Hill suburb, and the plan to sell 12 parts of Sea Farm on a peninsula just west of Betty's Bay for R200 000 to R250 000 a site.

In fact, so good have land sales been recently, that the United Development Corporation (UDC) is now predicting a shortage of high quality land stock for second and third time home buyers.

Consequently, says UDC marketing manager Jonathan Fair, it has launched Woodhill Manor, in Randburg, with stands at an average price of R32 500 for 1,000m² and upwards.
THE cost of a new house could rise by more than 6% once the new value added tax (VAT) is introduced.

And with building costs expected to rise this year by a minimum 17%, the combined rise could add an extra R2 000 to the cost of a R100 000 house by year-end.

National Association of Home Builders (NAHB) executive director Johan Grotsius says about 50% of the cost of a house at present — that part made up of labour, overheads and finance charges — is not subject to GST.

However, under the proposed VAT system this would appear to be taxable and could add R8 000 to the cost of a R100 000 home.

Grotsius said the home building industry was anxiously awaiting information on VAT, as the tax could present another major obstacle in the way of buying a home.

To make matters worse for first-time buyers, major builders throughout the country confirm that, with building material increases, they are no longer able to build homes for less than R40 000, which is a prerequisite if first-time buyers are to apply for government bond subsidies.

And with mortgage interest rates expected to rise later this year, the cost of a new home could prove even more "unreachable" to first-time home buyers.
VAT may push up house prices 6%

JOHANNESBURG — The cost of a new house could rise by more than six per cent once the new value added tax (VAT) is introduced.

And with building costs expected to rise this year by a minimum 17 per cent, the combined rise could add an extra R23,000 to the cost of a R100,000 house by year-end.

The National Association of Home Builders (NAHB) executive director, Mr Johan Grotsius, says about 50 per cent of the cost of a house at present — that part made up of labour, overheads and finance charges — is not subject to GST.

However, under the proposed VAT system this would appear to be taxable and could add R6,000 to the cost of a R100,000 home.

Mr Grotsius said the home building industry was anxiously awaiting information on VAT as the tax could present another major obstacle in the way of buying a home.

To make matters worse for first-time buyers, major builders throughout the country confirm that, with building material increases, they are no longer able to build homes for less than R40,000, which is a pre-requisite if first-time buyers are to apply for government bond subsidies.

And with mortgage interest rates expected to rise later this year, the cost of a new home could prove even more "unreachable" to first-time home buyers.

For the past few years the cost of existing, or second-hand, homes has lagged behind that of new homes, making them a relative bargain.
house of assembly

TUESDAY, 16 FEBRUARY 1988

members' questions

27. Mr. K. M. ANDREW asked the Minister of Education and Culture:

What percentage of pupils in schools falling under the Department, who wrote the S.I.O. in 1987, achieved grade 1 and grade 2 examinations?

28. Mr. P. G. GOAL asked the Minister of Manpower:

What was the total amount paid into the Unemployment Insurance Fund?

29. Mr. P. G. GOAL asked the Minister of Manpower:

For what reason has the Minister of Manpower refusecd to appoint a Commission of Inquiry to investigate allegations that the Ministry of Manpower is discriminating against Indian and Coloured workers in the recruitment of government employees?

Mr. Speaker: I have to advise the authority of the House that specific guidelines for reconvening the debate are not to be given. I have to advise members that specific guidelines for reconvening the debate are not to be given. I have to advise members that specific guidelines for reconvening the debate are not to be given.
FOUR out of every five blacks in
council housing still rent their homes
in spite of government's major house-
selling drive.

By January, the National Housing
Commission (NHC) had sold only 20% of
the total number of homes avail-
able under the scheme, while 60% of
occupants were still registered as ten-
ants, NHC sales co-ordinator Alex
Weiss disclosed yesterday.

Last year government offered vast
reductions on house prices.

Weiss said in the Transvaal 21.94% of
the available houses had been sold
by January — 58,411 out of 266,239.

Commenting on the slow response,

Weiss said: "The black community
does not respond as expected despite
the government having done every-
thing possible to streamline the sale of
houses."

Weiss said the reason could be that
most did not understand home-owner-
ship. He said the Transvaal Provincial
Administration had repeatedly asked
employers to explain to their black
employees the advantages and finan-
cial details of home-ownership.

The NHC had also launched various
programmes to boost the campaign.
Black homes drive fails to take off

Own Correspondent

JOHANNESBURG. — Four out of every five blacks who occupy council housing still rent their homes in spite of the government's major house-selling drive.

By January this year the National Housing Commission (NHC), which is conducting the sale, had sold only 20% of the total number of available units. Eighty percent had still not bought their houses.

Last year the government offered massive reductions on the prices of houses put on sale by the NHC.

The NHC's sales co-ordinator, Mr. Alex Weiss, yesterday said 80% of occupants were still registered tenants and had not become home-owners.

He said that in the Transvaal 21.9% of the houses on sale had been sold by January this year. Of the 268 239 for sale in the Transvaal only 58 411 had been sold, leaving a balance of 207 000 houses. The NRC owns 53 694 houses in Soweto.

Commenting on the slow response from residents to buy their houses, Mr. Weiss said: "The black community did not respond as expected despite the government having done everything possible to streamline the sale of houses."

Mr. Weiss said the reason the community had not taken advantage of the opportunity to buy their houses could be that most of them did not understand the concept of home-ownership.

He said the Transvaal Provincial Administration had repeatedly asked employers in industry and commerce to explain to their black employees the advantages and financial details of home-ownership in terms of the government's "big sale."

The NHC had also launched various programmes in the townships to boost the government's campaign to sell houses and to teach prospective homebuyers the concept of freehold rights.

Mr. Weiss said the discount sale of houses would continue till every house had been sold.
House prices go up 13pc

Johannesburg — House prices sustained their upward trend in the fourth quarter last year, rising by about 13 per cent for a medium-sized house compared with the same quarter of 1986, says the United Building Society (UBS) in its latest quarterly review released yesterday.

The average price of a medium-sized house was now about R280 000. Larger houses, costing R111 000 on average, had increased in price by about 13 per cent, while small houses, now trading at roughly R64 000, had increased in price by about six per cent.

On a quarter-on-quarter basis — fourth quarter on third quarter — the highest price increase occurred in "the rest of Natal", 10 per cent, followed by West Rand and Vaal Triangle, both eight per cent.

Price adjustments elsewhere were East Rand, six per cent, Western Cape, five per cent, Eastern Cape, three per cent, rest of Transvaal, Free State and North Cape, all two per cent, and Durban-Pinetown, one per cent. House prices in Johannesburg and Pretoria remained virtually unchanged.

The report predicts that house prices will rise by about 17 per cent this year.

"The demand for housing is expected to increase substantially over the next year, supported by factors such as the reversal in the net emigration trend, renewed investor interest in property after the crash on the stock market, and an improvement in the overall financial position of the average South African," it says.

"We further foresee building costs rising by some 18 per cent average in 1988, mainly driven by higher profit margins and rising labour costs in the building industry." — Sapa

It states that the price differential between new and existing houses widened further to about 15 per cent in the last quarter of 1987. A new medium-size house currently sold at approximately R93 000, while older houses of the same size cost about R78 600.

"The widening in the price differential was mainly the result of the steady increase in building costs over the past year — currently running at some 16 per cent — and a rising demand for new houses on the part of first-time home-owners." — Sapa
HOUSE PRICES

On the up-and-up

The dramatic turnaround in the housing market is destined to push house prices up this year by more than the expected 15% inflation rate.

The UBS Quarterly Housing Review reveals that house prices rose by an average of 13% in the year to December. This compares with a year-on-year figure of 43% from 1985 to 1986. However, UBS economist Hans Falkena now expects a total average increase of some 17% in 1988.

The 1987 fourth quarter average increase of 2% also compares favourably with a 0% increase in the third quarter, indicating the swing of private investors back to bricks and mortar after the October stock exchange crash.

The increase in demand is also demonstrated by a rapid increase in the number of house plans passed (see graph) since the market bottomed in early 1985. This is already translating into a substantial increase in building starts and should result in significant numbers of new houses completed later this year.

This in spite of the fact that the price differential between new and existing housing has risen to 15%, compared with 6% three years ago. A medium-sized (141 m²-220 m²) new house now sells for around R93 000, while older houses of the same size cost about R78 600. The rising differential in the past year was mainly the result of steadily increasing building costs as contractors looked to restore previously eroded margins and to cover rising labour and materials costs.

However, a shortage of stock in the existing market (Property February 5) and concomitant high prices, is driving more first-time buyers into the new housing market. This is evidenced, for example, by rapid increases in prices in areas such as the East and West Rand. The review shows an annual increase to December of 18% in the West Rand and 15% in the East Rand.

More pressure

However, the biggest annual increases occurred in the eastern Cape (19%) and Natal, excluding Durban-Pinetown (21%).

Falkena reckons the demand for housing will increase even more this year, supported by factors such as "the reversal in the net emigration trend, renewed investor interest and an improvement in the financial position of the average South African."

One factor which could dampen demand is the fear of bond rates rising. However, although the UBS expects that improvement in domestic economic activity will exert pressure on interest rates towards the end of March, Falkena says the intense competition in the bond market will probably cause bond rates to lag behind the upward trend in other rates.

Banks have taken a substantial slice of business, particularly in the middle to upper markets. Standard's Dennis Matfield says the average size of advances by the bank has increased from R69 000 to R78 000 in the past four months.

Laying the foundation

- Graph showing house plans passed and houses completed from 1978 to 1987.

FINANCIAL MAIL FEBRUARY 26 1988
R95m spend on housing

Political Correspondent

NEARLY R95 million was spent last year on white housing by the Own Affairs Department of Local Government, Housing and Works. Replying to written questions by Mr Peter Soal (FFP Johannesburg North) the Minister, Mr Amie Venter, said assistance in the metropolitan areas was: Cape Town R69.9 million, Durban R97.7 million, Maritzburg R1.2 million, Pretoria R1.9 million, Port Elizabeth R2.3 million, East London R2.3 million, Bloemfontein R3.1 million, Johannesburg R15.3 million. He told Mr Mike Ellis (FFP Durban North) that the department had built 24 double units to accommodate 48 aged people in Durban.

FFP presence down to one

Political Correspondent

THE FFP’s representation on parliamentary standing committees has been cut from two members to one following the defection of three members of the FFP. Mr Jan van Eck left the party to become an independent while Mr Peter Gastrow and Mr Pierre Cronje joined forces with Mr Wynand Malan’s New Democratic Movement.
NOTE: To ensure proper orientation, please rotate the image 90 degrees counterclockwise.

Part of a document featuring legal text in English. The content is not visible due to the image rotation, but it appears to be related to legal or governmental matters.
Discount houses lack ‘free’ cash

The lack of cash relief for banks in a general shortage and the low level of funds kept with discount houses could herald a change in monetary conditions.

Under assumed growth, the monetary authorities “may deem it to be desirable to scale down, if not larger, the call on the CPD funds,” forcing banks to use the more expensive access to the Reserve Bank discount window. This could precipitate a sudden significant rise in domestic interest rates.

The previous banking milieu could be regained if money market rates became more closely aligned to the re-discount rates of the Reserve Bank. Discount houses would then be more inclined to hold short term paper and offer higher call rates.
Yexed question of house prices

By Udo Rypstra

The decision to build a house or buy an existing one is becoming more difficult.

The Bureau for Economic Research at Stellenbosch University and the United Building Society differ on trends in housing and building.

The BER says house prices shot up by an "astonishing" 27% in 1987, and building costs are expected to jump more than 30% this year.

Referring to the 27% increase, the BER says: "This growth rate has important implications for house builders because it means new houses become more easily marketable, especially in white areas, as the existing houses start approaching replacement values."

The UBS says: "The price differential between new and existing houses widened further to about 15% in the last quarter of 1987 compared to 6% in the fourth quarter of 1986. A new house (medium size) sells at about R93,000, while older houses of the same size cost R76,600 on average."

"The widening in price differential was mainly the result of the steady increase in building costs over the past year (currently 16%) and a rising demand for new houses by first-time owners."

The UBS predicts that demand for housing is expected to increase in the next year. It says building costs will rise by 18% on average in 1988, mainly because of higher profit margins and labour costs.

"Against this background, we expect house prices to rise by 17% in 1988," says the UBS.

The highest quarter-on-quarter increases in house prices occurred in Natal (excluding Durban and Pinetown). Prices there rose by about 10%. On the West Rand and the Vaal Triangle, prices rose by 8%.

Smaller price adjustments, were recorded on the East Rand (6%), in the Western Cape (5%) and in the Eastern Cape (4%). House prices in Johannesburg and Pretoria have remained virtually unchanged since the third quarter of 1987.

Since the last quarter of 1987, the money and capital markets have been characterised by a general hardening in interest rates. For instance, the prime rate moved up from 12.5% to 13% in January, and the 20-year RSA rate rose from 15.25% in November to 15.77% in January.

In spite of this firming, the mortgage rate has by and large remained unchanged. "In view of the intense competition in the mortgage loan market, it is anticipated that the mortgage rate (currently 2% negative in real terms) will lag behind the expected upward trend in interest rates."
THE State was looking increasingly to the private sector to build housing for non-whites, while it limited itself to residential development infrastructure, Mr Kent Durr, the Deputy Minister of Finance, said yesterday.

Addressing the Institute of Estate Agents of South Africa in Franschoek, near Cape Town, Mr. Durr said community involvement through self-help schemes should be encouraged.

The role of the private sector was of “cardinal importance” to township development.

However, the Government was also spending increasing amounts on serviced plots where people could establish themselves — a matter receiving “urgent attention.”

“We undeniably have a great housing shortage in this country.... rationalisation in the building industry and its suppliers is thus of the utmost importance.”

He said no barriers should be put in the way of innovative building systems, the use of new materials and even modern derivatives of traditional ways of building.
Some black homebuyers paying more, getting less

By MAGGIE ROWLEY

SOME black homebuyers are paying more a square metre than is being paid in Bishopscourt, Cape Town property developer, Mr Peter Swartz says.

Managing director and chairman of Superama, Mr Swartz is also on the board of a number of companies including the Cape Town board of the United Building Society where he is involved in granting home loans.

He said many homebuyers were not getting value for money.

"In one block of flats in Rondebosch there is a tremendous need for housing for blacks, coloured people and Asians in the Western Cape. All these years there has been a need. Nobody has been able to take this from stage one to development process for many reasons, mainly statutory and legal."

"The little activity in this market had one result — the need for housing created a demand which artificially increased the cost of housing for population groups other than white."

He warned that although financing for homebuyers was relatively cheap at the moment, this was only a short-term situation and estate agents should warn buyers so they did not over-commit themselves.

"Interest rates are going to rise this year. In fact it is the social responsibility of estate agents to warn buyers that interest rates could be 13 or even 14 percent shortly and when they buy, they are earning enough to cushion these increases."

All the results of The Argus/MTN Cycle Tour will be published in a special section of Weekend Argus on Saturday.
Unorthodox methods needed now — Durr

From MAGGIE ROWLEY, Business Staff

FRANSCHHOEK — Unorthodox and innovative methods were urgently needed to meet the pressing housing needs of the lower income group, according to Mr Kent Durr, the Deputy Minister of Finance.

Addressing a convention of the Institute of Estate Agents (Cape) yesterday, he said that although the Government saw its role primarily as one of providing the infrastructure for housing, it was not simply standing aside from housing delivery itself.

In addition to the more conventional methods of addressing the housing backlog, a bold approach had been adopted in the past year through the establishment of the SA Housing Trust Ltd — a joint venture between the State and private sector.

So far 15 890 houses had been built on housing projects on service stands produced by third party for a total of R265-million; 4 892 houses had been built in projects funded by the trust, involving housing and infrastructure for R37-million.

In addition, infrastructure projects producing service stands for the trust’s future use involved 2 634 houses at a cost of R30-million while projects for future use by third parties on service stands totalled 6 721 at a cost of R32-million.

"If, furthermore, certain other projects already approved by the Trust are brought into calculation, then no less than 37 855 stands will eventually be produced. A drop in the ocean, to be sure, but a pointer to what can be achieved in a short period by imaginative and resolute action," he said.

The revamping of the building society movement to bring it into line with recent changes in Government policy and perception had given a further boost to housing.

"We are very pleased with the way the new building society legislation is functioning. Four building societies have taken the equity route and one has declared its intention of doing so.

"I believe this reform, or deregulation, has led to keener competition and more innovative packaging and marketing with a wider range of products emerging — all of which adds a new dynamism to the housing and property market, with obvious spin-offs for the house-owner and the whole back-up structure," he said.

Whereas the State had previously been exclusively responsible for township establishments, township development and the provision of housing, it was now realised that the role of the private sector was of cardinal importance and that the existing backlogs were partly the result of reluctance previously to involve the private sector or to create conditions to encourage its involvement.

"It is also important that no barriers be put in the way of innovative building systems, the use of new materials or even perhaps modern derivatives of traditional ways of building as a supplement to our conventional building industry," he said.
State plea on black housing

FRANSCHHOEK — The State was looking increasingly to the private sector to build housing for blacks, while it limited itself to providing the infrastructure for residential development, Deputy Minister of Finance Kent Durr said yesterday.

Addressing the Institute of Estate Agents of SA, Durr said community involvement through self-help schemes should be encouraged. The role of the private sector was of "cardinal importance" in township development.

However, government was also spending increasing amounts on serviced plots where people could establish themselves — a matter receiving "urgent attention".

"We undeniably have a great housing shortage in this country... rationalisation in the building industry and its suppliers is thus of the utmost importance."

Durr said no barriers should be put in the way of innovative building systems, the use of new materials and even modern derivatives of traditional ways of building.

The fact that government saw its role as primarily that of providing the infrastructure did not mean that it was standing aside from housing delivery.

Funds

The SA Housing Trust Ltd had been established through the joint initiative of the state and the private sector. It aimed to mobilise private sector fulds for affordable housing and to create job opportunities.

The state had provided R400m in interest-free loans that had been made available to promote affordable homes.

Since starting, the trust had approved expenditure of some R263m for, among others, 15 890 houses in projects on serviced stands and 4 392 houses in projects funded by the trust involving housing and infrastructure.

If other projects approved by the trust were brought into the calculation, 37 855 stands would eventually be provided, Durr said. — Saps
First National Bank home loans to be 1 percent more tomorrow

By TOM WOOD
9/11/85

A 16-MONTH holiday for home-owners will end tomorrow when First National Bank raises its home loan rate by 1 percent to 13.5 percent.

Senior general manager Mr. Jimmy McKenzie said deposit rates paid to savers and investors are also likely to increase.

A home-owner with a R50,000 bond will pay R25 more a month — making about R60 — on a 25-year loan.

But about 80 percent of home-owners receive subsidised loans, so their actual payments will be less than this.

Mortgage rates of other commercial banks, building societies and financial institutions are under pressure where they are linked to the bank's prime lending rate, which is going up by 1 percent.

Standard Bank, the first to announce a 1 percent hike in its prime lending rate today, said its home-loan rate was pegged to 12.5 percent up to the end of June, but no decision had been taken yet about an increase.

Stand still

Volkswagen said prime and other overdraft rates would rise by 1 percent. Mortgage rates are unchanged.

For 16 months home-owners have seen their monthly repayments stand still.

The repayment on a R50,000 bond dropped from a high of R1079 at the end of 1984 to below R900. Rates fell from a peak of 23 to 12.5 percent.

The long-awaited end of the interest-rate holiday dawned yesterday when the Reserve Bank announced an increase of 1 percent to 10.5 percent in the official bank rate — the rate it charges commercial banks and financial institutions.

Fears of an explosion in spending and demand for credit prompted the Reserve Bank to act.

First National Bank said it will increasing its prime overdraft rate from 13 percent to 14 percent from tomorrow, a change prompted by the increase in money market rates and the rise of one percent in the bank rate.

This also reflected the recent sharp increase in the demand for credit and the repayment of foreign capital by South Africa.

Farmers

More expensive funds will be particularly harsh for farmers hit by drought and floods. But a spokesman said the bank would continue to support its farming clients "to the hill".

First National Bank has about R2-billion in home loans and expects the figure to rise to R5-billion by the end of the year.

Mr. McKenzie said: "This is the first adjustment to the home loan rate in 16 months."

"We welcome the statement by Dr. de Kock, governor of the Reserve Bank, that there should be more frequent movements of a smaller magnitude in the bank rate — both up and down."

"Lending rates should be market-related and the adjustment an ongoing function in response to the overall liquidity in the market."

Fierce competition between banks and building societies has kept lending rates low.

Overdraft

Societies have been forced to raise their deposit rates in order to draw in enough money to fund the house-buying boom.

Some are now paying a higher rate of interest to depositors than they are receiving from home loans.

The man-in-the-street will soon also have to pay more for his overdraft, while hire-purchase charges and all interest rates are also likely to rise.

Dr. de Kock disclosed last night that the economy grew at an annualised rate of 6 percent in the fourth quarter of last year.

Party over — see page 11.
Property rights in Govt Trust towns extended

By Claire Robertson, Pretoria Bureau

Full property rights have been extended to the more than one million black South Africans living in “Trust towns”.

Following the extension of property rights to black people in urban areas in 1986 and yesterday’s move affecting towns under SA Development Trust jurisdiction — black South Africans in all areas may own property in black group areas either by right or, in the case of rural areas, with the permission of the Minister of Education and Development Aid, Dr Gerrit Viljoen.

The Trust towns provision — affecting a dozen towns in Natal, the Free State and the Transvaal — was announced by Dr Viljoen in Cape Town yesterday.

“The regulations (gazetted yesterday) usher in a dispensation which deregulates the life of the black man in many respects … and will encourage financial institutions and developers to enter the property market and the home-building industry in these areas on a larger scale,” Dr Viljoen said.

The regulations provide for existing, cheaper forms of land tenure, such as leasehold rights and deeds of grant, to be maintained.

However, the holder of a deed of grant may now cede or will his or her property to another person without the approval of the town manager as was previously the case in Trust towns.

Premises previously used for residential purposes may be used for any other activity, provided a significant number of the neighbours do not object. Existing town councils in the Trust towns will remain, but no new councils will be established. The Minister may now establish local government structures in terms of the Black Administration Act.

The new regulations for local authorities will apply until the Minister drafts standardised regulations.

Building restrictions have also been relaxed “to make it easier for prospective homeowners to build a house or have one built”.

The new regulations do not yet apply in the “self-governing territories” — or previous Trust land that is in the process of becoming an independent homeland — but will come into effect when adopted by the authorities in those homelands, the Minister said.

The Trust towns affected are: Soshanguwe, Lethlabile, Gamapodile and Rebone in the Transvaal; Inanda, Ohlanga, Kwadubekau, Imbali, Ashdown, and part of Edendale in Natal; Nondweni in KwaZulu; and Tshiamu in the Free State, an official for the department said.

This would affect more than a million people, the official added.
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<tr>
<th>No</th>
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<th>Name</th>
<th>Address</th>
<th>Home</th>
<th>Work</th>
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**UBS Loans Rate Jump**

THE United Building Society, the country's biggest, yesterday announced an immediate 1.5% jump in its rate for new mortgage loans, from 12.5% to 14%.

Other banks and building societies are either reviewing their own rates or are keeping a close watch on the situation. The National Bank, which has already increased its floating rate by 1%, said on Monday that its floating rate would remain unchanged. The National Bank has announced that its floating rate will remain at 13.5% for the time being.

The banks have been under pressure to raise rates due to rising interest rates in the international market. The Reserve Bank has also increased its policy rate by 1% to 14%, which has forced the banks to follow suit.

The move has been welcomed by many homeowners who have been paying higher interest rates on their loans. However, it has also led to increased concerns about the affordability of housing for many people.

The banks are expected to continue reviewing their rates in the coming weeks to ensure that they remain competitive in the market.
R486m for black housing

THE government had spent R486.6 million on infrastructure, services and loans for black housing over the past three years, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said yesterday.
Screws tighten as lenders call bond war truce

By Udo Rypstra

THE screws are tightening on home-owners as the bond rate war between banks and building societies turns into a truce.

Prospective house-buyers should take care lest they overextend their budgets because this week’s increase in mortgage rates is likely to be followed by others. Analysts believe this may not be merely a hiccup but the beginning of an upward phase in rates.

A bond issue could afford at today’s rates could become prohibitively expensive by the end of this year or early next year.

The reverse trend in interest rates is expected to hurt the residential property market.

Funds depleted

Rates have come under severe pressure by a depletion of short-term funds. Companies are said to be withdrawing short-term money from lenders and borrowing more to feed an hungry economy that needs capital for more trading stock and raw materials, machinery and labour.

Growing demand for housing loans and bonds, especially from colourists in the Cape Town area and blacks countrywide, is emptying the coffers of banks and building societies.

Although they are still fighting one another for market share with what they describe as “competitive” interest rates they were offering, First National Bank (FNB) and the United Building Society were the first to yield to market forces this week. Some of their competitors admit they can no longer handle the pressure.

“We still try to be competitive, but rates have become uneconomic. Some are still being held, but it is the last moments of the bond war,” says a building society spokesman.

Concerned

People with 25-year loans with FNB and paying 12.5% interest can expect to pay R56 more for every R1 000 they owe when the bank lifts its rate to 13.5% this month, or R71 more a R1 000 on a 20-year bond.

This works out at increases of respectively R86 and R71 a month in repayments on a R100 000 bond.

An FNB bank official stresses, “We are concerned about having to do this. We are committed to act in the best interest of our customers. But there is too much pressure on interest rates. Demand for funds is outstripping supply and there is no profit margin any more.”

Since entering the housing loan market in a big way, FNB has more than R2.5 billion tied up in mortgage loans. In the past four months it lent more than R600 million in new business.

The UBS, which has been lending more than R320 million a month since the bond rate war started, will increase its rates by 1.5 percentage points to 14%. This means an increase of more than R100 in monthly repayments on a R100 000 bond.

The Allied Bank, still offering 11.5% interest on bonds to people with considerable assets, will wait before increasing its rates. But managing director Kevin de Villiers admits the bank may have to follow the others “within three to six weeks”.

Ironically, Allied Building Society, which is advertising bonds with rates of between 14% and 16%, sent notices to certain customers this week advising them that their rate of 16.5% had been dropped to 14%.

Speculation is that banks and building societies will lift rates and that the recent and highly criticised practice of charging new borrowers more than existing ones may end.

The demand for houses and loans is strong among coloureds and blacks — and whites. JSE-listed Aida National Holdings (ATH), which runs a nationwide franchise network, registered a record turnover of R76 million last month — 42% higher than in the best month in its history.

Houses cost more

Chairman Aida Geffen says demand for housing is particularly strong in Pretoria, Midrand, the northern Johannesburg suburbs, the East Rand, Maritzburg, Port Elizabeth and the Vaal Triangle.

Average unit prices rose from R96 602 in February last year to R109 000 and increased especially in East London (43%), Nelspruit (35%) and Midrand (25%).

Mrs Geffen believes the rise in borrowing costs will hurt the property market slightly.
Homebuilding industry disappointed

By Frank Jeans

The homebuilding industry has been disappointed by the lack of firm commitment to itself in the Budget.

The industry is worried that there is still no decision on the need to raise the R40 000 first-time homeowner's subsidy.

"We are upset that there was no reference to housing," says Mr Johan Grotsius, National Association of Home Builders executive director.

"We also made representations on affordable housing which embraced increased State participation in the provision of housing but nothing was said."

But Mr Grotsius finds it reassuring that there was a hint that interest rate patterns were fairer.

Another encouraging measure, he says, is the spin-off for the industry, albeit indirectly, from the increased assistance to institutions such as the Development Bank of Southern Africa, with State allocation going up in soft loans.

"This could certainly alleviate the problem," he says.
Spending on black housing to increase

GOVERNMENT is committed to increased spending on black housing and upgrading programmes, Finance Minister Barend du Plessis says. He said housing was one of the areas in which social spending "is bound to grow", and he made special mention of the SA Housing Trust which started early last year with a Treasury interest-free loan of R400m.
Hacking through the jungle

Efficiency or continuing apartheid — that's the choice facing much of South African society. And nowhere is it more evident than in the housing industry.

The State has made it plain now looks to private sector developers to provide the bulk of housing for blacks, and it has repeatedly called for builders to co-ordinate their efforts.

Yet, though the housing shortfall is now estimated at 800 000 homes, private sector developers are still expected to find their way around a maze of rules, regulations and competing priorities generated by five ministries, four provincial administrations and a myriad of local authorities involved in the provision of housing for different race groups.

This week, Deputy Finance Minister Kent Durr reiterated to the Institute of Estate Agents that the State was looking to limit its involvement in mass housing to the provision of infrastructure.

He said the role of the private sector was of "cardinal importance" in township development and that community involvement through self-help schemes should also be encouraged. To this end, the government was spending increasing amounts on serviced plots where people could "establish themselves."

And yet the housing shortage continues to grow — and not just because of natural population growth either.

Developers say hacking their way through jungles of red tape has frustrated many so much that they have turned to other ventures.

Rob Crockett, Schachat assistant MD, says the inconsistency of regulations generated from so many sources results in the private sector "wandering around in a maze."

Special interest groups — all with their own axe to grind — have difficulty reaching consensus on general policy such as interest rate subsidies and building standards.

Statistical information — from so many sources — is also difficult to collect in any meaningful form; and

Apparent shortages of skills within various departments result in decisions being bottlenecked.

Time Housing MD Mike Graham says there has been an improved attitude of the various ministries over the past year, but there is still plenty of room for improvement. As an example, he cites a township development which has been on the back burner for infrastructure in place for the past 18 months, but is still to be proclaimed.

To be fair, government has recognised the problem — and formed the South African Housing Advisory Council to increase the degree of interaction between ministries and to try and establish a more cohesive housing policy.

Leon Claassen, administrator of the advisory council and chief director land affairs and housing for the Department of Public Works, says committees have been established at Cabinet and department level. This, coupled with the function of the advisory council, should address the problems.

He says the council provides the private sector with a forum and it is from there that the majority of its members are drawn. The council also has four working groups to assist it in formulating strategy.

Claassen says another obstacle has been the time required to put management in place. This has now been done and he predicts there will be a marked increase in its involvement over the next year. He points out that the effectiveness of the system depends on how it is used by those involved in housing. He maintains the private sector has also been through a learning curve in that it was not geared to deal with the requirements of black housing.

Even so these somewhat cumbersome arrangements have failed to win universal approval. Outside of government, resulting in a suggestion from several quarters that a single housing ministry should be formed. This would give developers one source of information and one point of reference at the very least.

However, to be truly effective such a ministry would have to abandon the "own affairs" policy — something unthinkable at the moment.

Bob Tucker, SA Perm MD and chairman of the Association of Building Societies, says a single ministry would only be feasible if the various ministries sacrificed their own interests in favour of a central ministry.

People must recognise the bigger issues at stake rather than protecting their empires. While a central ministry would not solve all the problems, it would provide an organisation which is subject to the same policy and common management. Moreover, there would be someone to make decisions.

The problem really lies in the politicisation of the housing issue. Housing provides those in political power with the means to impress voters with tangible achievements — even if results fall far short of requirements. They will not surrender control easily. In addition, assuming the various groups were reformed under a single ministry, priority infighting could simply descend to departmental level, solving nothing.

On the other hand, depoliticising the issue would have many advantages, including:

- Speeded up land delivery as allocations were made on economic grounds;
- Uniform legislation which would enable private industry to spend more time building houses and less "wandering through a maze;"
- The sharing of expensive services, such as sewage treatment works, among several developments;
- The targeting of subsidies at people who could not otherwise afford a home of their own instead of using them as vote catchers; and
- The restructuring of building standards to allow for really affordable housing.

At the moment, remarks Jill Strelitz, the Urban Foundation's housing director, the poor are being protected right out of housing.

Legislators appear to need reminding that behind the mass housing statistics there are living, breathing people whose aspirations are fast being buried beneath the Group Areas Act (GAA) rubble. If the government is genuine in its commitment to housing and, given that even the State President has called for regular reports, then it must take its courage in hand and throw out the GAA and its companion, the "own affairs" system.

At the same time, it needs to form a Ministry of Housing which will address the existing backlog in a realistic manner — on the basis of need, not race.
HOME LOANS

Hidden costs

In the mortgage bond supermarkets over the past few years, there have been some tempting special offers. Now, although the market is still competitive, all financial institutions will be making upward adjustments in interest rates over the next few months — which will force prospective homeowners to reconsider their needs.

And when calculating costs, they should take into account the hidden costs. With attention focused on monthly repayments, many buyers tend to overlook that a large sum of money has to be put up front — about 4% of the purchase price.

On a property worth R140 000, with an 8% bond worth R12 000 (see table), this amounts to around R6 000. The biggest beneficiary is the Receiver of Revenue, to whom transfer duty of R6 000 is paid. Also, at the receiving end are two sets of attorneys: one nominated by the seller to transfer the property (R985) and one by the financial institution to register the bond (R735-R760).

The rest goes to the bank or building society granting the loan. Although there is a wide variation between institutions in charges on individual items, there is no great discrepancy when these items are totalled — less than R200.

For comparative purposes, this can be calculated by adding administrative, valuation and registration costs (as the attorney fees are chosen by the institution, his fee is included in this item), as well as the first annual premium for compulsory insurance on the house (worth R100 000).


These figures are, however, only part of the picture. One has to take into account that FNB, Nedbank and Trust require the bond-raiser to have life cover. As its value depends not only on the size of the bond but other extraneous factors, the amount cannot be included in the table.

Also of interest is the cost of switching a bond from one institution to another. There has been a considerable spread between lowest and highest interest rates and borrowers have been cancelling bonds and re-applying to other institutions. For instance, since the Nedbank put up its rate for existing clients to 14.5% in June last year, there has been a 2.5 percentage point differential between its rates and the lowest on offer.

What would be the cost of switching, say, to Nedbank, which offers to subsidise cancellation and registration costs? The answer is R700. This would be made good in just over four months by an interest rate differential of R170 a month. Nedbank has also been offering new clients an initial three-month moratorium on monthly payments to absorb costs — although this is a short-term benefit, as, in the long run, resulting capitalisation of interest would amount to a large sum over a 20-25 year period.

Nevertheless, on balance, with Nedbank rates guaranteed to existing borrowers until end-September, a decision to change would seem, at this stage, to have been wise.

Then again, the future could see a changing playing field. The spread of rates across the country is such that district variations are primary, with some clients, outweighing the impact of interest rates on the monthly budget. Institutional loyalty may have hidden benefits.

COSTS TO HOME BUYERS

Property R140 000. Bond 80%

<table>
<thead>
<tr>
<th>First Mort.</th>
<th>Standard</th>
<th>Volkskas</th>
<th>Nedbank</th>
<th>Trust</th>
<th>USS</th>
<th>Perm</th>
<th>Allied</th>
<th>RBS</th>
<th>Semiloud</th>
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<tbody>
<tr>
<td>% bond available</td>
<td>80%-100%</td>
<td>80%-100%</td>
<td>80%-100%+</td>
<td>80%-100%</td>
<td>100%</td>
<td>90%+</td>
<td>90%+</td>
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<tr>
<td>Interest rate to new borrowers</td>
<td>12.8%*</td>
<td>12.8%*</td>
<td>12.8%*</td>
<td>12.8%*</td>
<td>12.8%*</td>
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</tbody>
</table>

**Administrative and valuation fee:**
- R250
- R165
- R100
- R300**
- R150
- R150
- R260
- R260
- R260

**REGISTRATION COSTS:**
- R975
- R959
- R959
- R959
- R959
- R959
- R959
- R959
- R959

**CANCELLATION COSTS:**
- R200**
- R244
- R244
- R244
- R244
- R244
- R244
- R244
- R244

**Insurance on R100 000 building including political risk cover:**
- R206
- R240
- R210
- R210
- R210
- R210
- R210
- R210
- R210

**Is loan conditional on fire cover:**
- Yes (through any insurance)
- No
- No
- Yes (through any insurance)
- No
- No
- No
- No
- No

**Notes:**
* This includes postage and postage and also depends on the amount for which the building society is insured or preferred creditor
* R959 depends on the way in which bonds are registered
* R244 applies to interest charges
* R244 applies immediately to existing borrowers but increases only after 3 months
* Nedbank will meet half the legal bond cancellation costs plus 50% of the legal bond registration costs and will reduce the administration fee to R150 where clients transfer existing home loans to Nedbank from another institution
* R100% includes 10% collateral
* R959 applies to new borrowers

**ADDITIONAL COSTS:**
- R3 600
- R4 244
- R100
- R100
- R100

**FINANCIAL MAIL**
MARCH 18 1988
HOUSE OF DELEGATES

Wednesday, 3 March 1988

The Minister of Housing

1. Mr. Minister, the Committee has had the privilege of receiving the Report of the Commission of Inquiry into the Housing of the Poor. We are grateful to you for arranging for it. We are grateful to you for preparing the Report in the time available. We are grateful to you for preparing the Report in the time available.

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Housing interests of the retired covered in draft legislation

Daily Dispatch Correspondent
CAPE TOWN — Draft legislation aimed at addressing the housing needs of retired persons and at protecting their interests was tabled in parliament yesterday by the Minister of Economic Affairs and Technology, Mr Danie Steyn.

The Housing Development Schemes for Retired Persons Bill is the end result of an investigation carried out by a special committee appointed in June 1986 by the then Minister of Local Government, Housing and Works in the House of Assembly. The brief was to inquire into the need of housing for the pensioners and the methods of meeting those needs.

The legislation is clearly aimed at introducing some regulatory controls over retirement village developments which have been mushrooming around the country in recent years.

The bill sets out in detail all the formalities which must be met by the developers in respect of contracts entered into with prospective purchasers.

It also provides for stiff penalties — a fine of R10 000 or five years imprisonment — for developers who attempt to sell off housing schemes before they have been officially approved.

And, it sets down strict guidelines concerning the "alienation" of the housing interests vested in a retired person, whereby alienation means the sale, exchange, lease, donation or other form of disposal.

In the House of Delegates yesterday, the Minister of Health Services and Welfare, Mr Raman Bhana, said a clarifying statement on the pensions issue would be released today following a decision not to increase the monthly pensions of Indians.

He was replying to Mr Perumal Nadasen (NPP, Allandale) who said in the second reading debate on the own affairs budget that newspapers had misled the community when they said coloured and Indian people would get pension increases while whites would not.

Mr Bhana said a R60 one-off bonus would be granted in October, the same as that for the whites.
(4) whether he will make a statement on the matter?

The MINISTER OF EDUCATION AND CULTURE:

(1) No.

It is an enormous task for which manpower is not available.

(a) and (b) Fall away.

(2) Yes.

Letters are being addressed to educators with poor leave records on a continuous basis drawing their attention to the consequence of their absenteeism.

(3) It is not possible to give an indication in this regard as a survey has not yet been done.

(4) No.

Mr P I DEVAN: Mr Chairman, arising out of that reply, the question seems to be an alarming one. Has the hon the Minister any intention of expediting the survey on this issue?

The MINISTER: Mr Chairman, I think it is advisable to look into this very seriously.

Mr J V LYMAN: Mr Chairman, further arising out of that reply, I should like the hon the Minister to tell this House about the question of teacher absenteeism which was debated in this House and in view of the fact that in a particular by-election teachers were seen by the school children's parents...

The CHAIRMAN OF THE HOUSE: Order! Has the hon member a question?

MR J V LYMAN: Yes, Mr Chairman.

The CHAIRMAN OF THE HOUSE: Will the hon member then please put it.

MR J V LYMAN: Why did the hon the Minister not pay attention to what was said in this House and why did he not conduct that survey? Why is he waiting?

The MINISTER: Mr Chairman, with respect, I would like to tell the hon member that there is a difference between leave and absenteeism. However, it certainly will be looked into.

Housing Development Board: names of members

4. Mr Y MOOLLA asked the Minister of Housing:

HOUSE OF DELEGATES

(1) What are the names of the members serving on the Housing Development Board referred to in section 2 of the Housing Development Act (House of Delegates), No 4 of 1987?

(2) whether this board has an executive committee; if so, what are the names of the members of the executive committee?

(3) whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, is a member of this executive committee; if so, (a) how many executive meetings has he attended and (b) (i) where and (ii) when were these meetings held?

The MINISTER OF HOUSING:

(1) Mr W J vd M Marais
Mr C H Kotse
Mr R E Hudson-Reed
Mr R J Brand
Dr D S Rajah

(2) Yes.

Mr W J vd M Marais
Mr C H Kotse
Mr R E Hudson-Reed
Mr R Jagath

(3) Yes

(a) 10

(b) (i) Malgate Building, 72 Stanger Street, Durban (ii) 14 May 1987
Malgate Building, 72 Stanger Street, Durban 8 June 1987
Malgate Building, 72 Stanger Street, Durban 6 July 1987
Malgate Building, 72 Stanger Street, Durban 21 October 1987
Malgate Building, 72 Stanger Street, Durban 3 November 1987
Malgate Building, 72 Stanger Street, Durban 18 November 1987
Malgate Building, 72 Stanger Street, Durban 1 December 1987
Malgate Building, 72 Stanger Street, Durban 6 January 1988
Malgate Building, 72 Stanger Street, Durban 17 February 1988

Replacement of Springfield College of Education: feasibility study

5. Mr M RAJAB asked the Minister of Education and Culture:

(1) Whether, with reference to his reply to Question No 1 on 11 June 1987, the feasibility study undertaken to plan and provide a smaller but modern facility to replace the present Springfield College of Education has been completed; if not, (a) why not and (b) when is it expected to be completed; if so,

(2) whether a report on the matter has been submitted to his Department; if not, why not; if so, (a) what was (i) the purport of the report and (ii) his Department's response thereto and (b) what is the estimated total cost of the new college;

(3) whether the Edgewood College of Education has been considered as an alternative; if not, why not; if so, with what result?

The MINISTER OF EDUCATION AND CULTURE:

(1) No.

(a) Architects and consultants are still busy with the feasibility study.

(b) The feasibility study is not expected to be completed before 1989 as the provision of a new College does not enjoy a high priority at this stage.

(2) Not.

The architects and consultants are still busy with the feasibility study.

(a) (i) and (ii) Fall away.

(b) Falls away.

(3) No.

The Edgewood College of Education falls under the control of the Administration: House of Assembly and is still being used by the Natal Education Department for Teacher Education.

Mr M RAJAB: Mr Chairman, arising out of the hon the Minister's reply, may I ask him why, when a feasibility study was not done, funds were budgeted for the provision of these services in Cato Manor?

The MINISTER: Mr Chairman, these two factors go hand in hand. At the time that this was being budgeted for, a feasibility study had commenced.

Mr P I DEVAN: Mr Chairman, further arising out of the hon the Minister's reply, may I ask him whether he really appreciates the need for an updated college of education in Durban?

The MINISTER: Mr Chairman, the answer is yes.

Mr P I DEVAN: Mr Chairman, further arising out of the hon the Minister's reply, may I ask him why there is so much wavering and inconsistency with regard to this issue, because costs are rising by the day?

The MINISTER: Mr Chairman, I did say that a feasibility study was being done, and once the results of that study are made known, we shall act on them.

Mr P I DEVAN: Mr Chairman, I cannot see his logic. He said that he sees the need for it.

The CHAIRMAN OF THE HOUSE: Order! Does the hon member have a further supplementary question?

Mr P I DEVAN: Mr Chairman, I shall make a written submission in this regard.

Mr P T POOVALINGAM: Mr Chairman, further arising out of the hon the Minister's reply to the hon member for Springfield with regard to the Edgewood College of Education, would the hon the Minister acknowledge being aware that the Edgewood College is not filled to capacity and that optimum use should therefore be made of that college regardless of any own affairs restrictions?

The MINISTER: Yes, I am aware of that and I agree that it should be used to its fullest capacity.

Springfield College of Education: outdated/inadequate

6. Mr M RAJAB asked the Minister of Education and Culture:

With reference to his reply to Question No 1 on 11 June 1987, in what respects is the Springfield College of Education outdated and inadequate as a tertiary institution?
Call for more housing land

GOVERNMENT will have to make up to 10,000 ha of land available in the PWV area in the next two years if it is to meet the demands of the black housing crisis, according to an Urban Foundation assessment.

With the black population last year estimated to be 4.8-million in the region, the Foundation believes another 98,000 houses are needed by 1990 to keep up with growth, while 58,000 would be needed to reduce the backlog.

But the Foundation’s Housing Manager Mike Morkel notes effective demand would be something less than the total of 154,000 units, as a result of restricted buying power.

Soweto, at present, covers about 9,000 ha, so in effect three or four times that area — although not with the same type of township development — is needed by the year 2000.
Friends' firm was built up from the bottom.

Presidential

The number of nuclear weapons is a cause for concern, especially as the country's nuclear arsenal is now at a critical point. The government has been working to increase the number of nuclear weapons in the country, and this has led to a number of protests and demonstrations against the policy. Some experts believe that the government is overestimating the need for nuclear weapons, while others argue that the country is not ready for a nuclear war.

Major Role

Being Recognised

Leaders in their field.
Parking Problem
Jo Burge Tackles

Chances of improvement seem remote at the near
Property Edited by Terry Meyer

Rental Level Hitch

Market is Booming

R17m

"The growth will be a result of increasing traffic at the area... as an increase, the road has been repaired because... etc. The city has been working on the issue..."
THE CURRENT surge of activity being experienced by the building contracting industry may run out of steam sooner than expected.

And a number of those who are now working flat-out are feeling the pinch of recessionary belt-tightening, with a shortage of good management, skilled labour and sound sub-contractors.

Even plant, a lot of which left the country during the bad times, is difficult to come by, and in Cape Town contractors say there is not an item to be had for rental. Plant replacement costs for buyers have escalated in some cases by as much as 50%.

Another factor affecting the industry is the fast-track contract — as, said Ovcon's Derek Mace, the fast-track job has become the rule rather than the exception, shortening contract periods.

Worry

"This leads to the shortening of order books, which may push turnover temporarily but certainly affects the long-term picture," he said.

"A further tremendous worry associated with this is that, although the main contractors may have got used to the fast-track way, sub-contractors are just not able to cope. And as long as the construction industry continues to run on a boom-or-bust basis, these problems are going to be difficult to solve."

A representative of the finishing trade specialists Fred Whitehead Group is inclined to agree with this, adding that with the busy period ahead, the company has started a lot of in-house training for the group's more than 2,000 employees.

"There is definitely not enough training in the sub-contracting industry to meet current demand," the spokesman said.

Ovcon director Jan Kaminski observes that, while there is still a high degree of optimism in the industry and a lot of work to go around — particularly in Cape Town, where the company is based — the number of tenders is getting fewer and the positive mood is showing signs of tailing off.

He suspects the industry's capacity to handle volume is less now than it was three years ago.

"Saturation is going to be reached much more quickly than normal," he said. "Productivity is generally lower and quality is poorer."

Companies which kept staff on at all costs (such as Ovcon) should survive reasonably well over the present period, said Kaminski, but he expresses serious concern for those companies which cut back substantially and now find themselves without the managerial and technical expertise to handle jobs properly.

As a result of having kept the organisation intact, Ovcon has been able to take on new work worth nearly R50m in the last three months, and is close to tying up a further R80m.

Andrew Shoreitis, chairman of the Pretoria-based construction and property group Shoreitis, is optimistic, believing SA is moving into the start of the traditional cyclical upswings in the construction area.

Nevertheless, he warns the industry is fast running out of capacity.

"There is a definite shortage of skilled labour. This tends to inflate wages, and we are experiencing lengthening delivery times for strategic building materials."

As always with this industry, timing plays a vital role: the ability to find the right time to take on the workload at the right prices is of paramount importance and can have enormous repercussions on the profitability of a number of companies.

Hardening

Shoredits said operating margins in the industry are better than at any time in the past five years, with a hardening in construction tender prices of between 10% and 30%.

However, concern has been expressed in some quarters that some contractors kept in to take too much work too soon, filling their order books with jobs with the narrowest of margins. Also cause for worry is that the inevitable cost correction could be so dramatic as to put an end to further building.

"There has to be a cost correction in order to get the industry back on its feet," concludes Kaminski. "But if this is accompanied by factors such as rising interest rates and if rentals do not move enough, the up-turn we're seeing is sure to be short-lived."
QUESTION UNDER NAME OF MEMBER
HOUSING

Getting to it

The Family Housing Association (FHA), the Urban Foundation's building arm, is to double its turnover in its next financial year from R56.5m to R124m as part of a restructuring of its operations which will shift emphasis to selling more houses.

In the year to end-March, FHA sold around 5,000 stands and 1,000 houses. This is expected to increase in the next 12 months to 7,800 stands and 3,500 houses.

The swing to providing more houses is being structured around a product called "Starter Home," intended to provide basic accommodation and allow the buyer to upgrade as finance permits.

Prices start at around R18,000 including stand but no electricity and go up to R35,000. Sizes range from 30 m²-80 m².

FHA's Matthew Nell says the houses will be developed in two different ways. The first is owner-built, with FHA selling the stand and arranging bond finance as well as providing building materials and ongoing advice. Buyers can also make use of small local contractors.

Under the other scheme, FHA will contract out 200-500 houses to a large construction company and sell the houses off-plan.

FHA will also start development work on incremental homes—selling serviced stands on which the buyer can erect a temporary dwelling and build a proper home as finances permit.

However, Nell points out there are still problems with the scheme. A method of financing the purchase of just the stand over a 20-year period is required and, more important, local authorities have to be persuaded to allow such projects.

Says Nell: "This is an important step. We are trying to get people on to and over which they have tenure. It provides a starting point for the lower-income black."

In addition, FHA is planning to restructure its operations. Instead of only having sales and construction divisions, FHA will create a land division which will effectively wholesale land and a housing division which will construct and sell houses. The operation will also be subdivided into regions to better serve local markets.

La Cote d'Azur ... hoping for better

Nell believes that FHA, like other similar organisations, has to guard against becoming a bureaucracy.

"With this in mind, we are mounting a big push to retain customer service and intend spending R350,000 on staff development and training. This will concentrate particularly on management, supervisory and customer skills," says Nell.
Housing

Harsh reality

Aside from an occasional twitch, the market for subsidised white housing is dead.

Consequently, developers who just two years ago saw the package home market as a means of tiding them over a particularly slack period, have now effectively turned their backs on it.

The government subsidy on bond interest was introduced in 1983. It applies to houses costing no more than R40 000, excluding land. Since then, rising building costs, especially for labour and materials, have severely diminished the size of the house which can be built for this amount.

Consequently, many prospective buyers are no longer attracted by this type of development. Though expectations are dropping, many whites still expect to live in the same size house as their parents. So many prefer to rent accommodation until they can afford to have their aspirations met.

Rob Crockett, Sage Schachat's new MD, says it is becoming impossible to deliver even the most modest home — 80 m² with two bedrooms, no garage and one bathroom — for under R40 000.

As a result, he says, developers are now turning to the black market (see Guidelines), where expectations are rising — albeit off a low base. Crockett believes this market will remain viable for some time.

Another factor which has a significant impact on the first-time buyer in the white market is the comparatively high cost of the stand. Black consumers are paying from around R10 000 for a 300 m² stand and white buyers from around R25 000 for a stand twice that size. However, once again white perceptions as to what is acceptable influence stand sizes.

What's more, moving township development away from main urban centres doesn't help to make housing more affordable. The land cost component may be cut, but buyers are then faced with prohibitive transport costs.

Finally, there is reluctance on the part of local authorities to pass plans for housing suited for the lower-income groups.

But the erosion of subsidised buying power is not all bad. There is a strong argument to suggest that the subsidy is finally addressing South Africans with the most need, the real lower-income groups.

Gallic MD Paul Koep says his company studied the feasibility of entering this market a year ago, but decided against it as it did not want to sell "little boxes."

However, finding the market non-viable does not change his view that the present subsidy level should remain.

"At its present level it serves a real need. It should not be changed just because a lot of young accounts can't get what they want. There are a lot of developers who are supplying fine houses to the non-white market at that price."

Taking the opposite perspective, Johan Grotsius, National Association of Homebuilders executive director, says the scheme was originally intended to provide housing for white first-time buyers. Although the scheme is open to all races, the need in the non-white market was not the main thrust at the time.

"The standards were set in 1983 and the obvious solution is to increase the subsidy to maintain that level of housing. The government says the fiscus cannot afford this, so another approach is needed."

One solution could be a sliding scale of subsidies, perhaps starting at 50% for houses targeted at the lower-income groups and decreasing as the house purchase price approaches a suggested ceiling of R60 000.

Grotsius says there is an even simpler solution. A ceiling such as R60 000 could be introduced, with the subsidy remaining on the R40 000 portion and no subsidy on the balance of R20 000. This would enable people to buy the type of housing they require.

He says the subsidy was also intended to encourage white South Africans to buy modest houses and that it has achieved this objective. Grotsius responds to suggestions that the system has been open to abuse by saying: "Even if more affluent members of society use the scheme, it has the advantage of setting an example with regard to more modest housing needs."

Grotsius's arguments may have cogency. But SA has an evolving economy and the perceived needs of its people are in constant flux.

Limited means require that the country subsidise only those who are in real need. If some people have to wait before acquiring their dream home, that's economic reality.

Sandton

At the entrance

Sandton continues to attract, in droves, companies wishing to relocate to a "decentralised" area (Property April 1).

The latest developer to take advantage of the trend is Group Five Development, which has bought the Sandton North site and other properties adjacent to it, fronting on to Rivonia Road opposite Sandton City.

MD Chris Drummond says the company is negotiating with six potential tenants to determine the configuration of building, but that all six require in excess of 5 000 m² — one possibly even around 15 000 m².

The 2 ha assembled site has been zoned Business 4, with an FAR of 1.2, and a height restriction of 10 storeys. The rezoning has been approved by the Townships Board.

Drummond says the usable portion of the site will be left as a "built up" area to meet the need for office space on the site.

The Road Ahead

Freeway access is becoming a major issue in the location of new office developments, as evidenced by two projects planned for the outskirts of Johannesburg.

The first is Group Five Development's office park in Bedfordview, on a 2 ha site adjacent to the Gillooly's Interchange. It will provide some 6 500 m² of office space, with the configuration to be decided by the tenants. Owner occupation is also open to negotiation.

The second complex, to be known as Inter-Rand Park, is being developed by Oakwood Ventures near Alberton, on the east-west axis of the freeway ringroad. This provides easy access to both the East and West Rand, Pretoria and the Vaal Triangle. Here, too, buildings will be developed to suit tenants' requirements.
HOUSE OF ASSEMBLY

TRANSACTIONS

DEFINITION AND PLANNING

The Minister of Constitutional Development and Planning shall not give effect to any proposal to extend or enlarge any hospital that is not in the best interests of the people of the Orange Free State.
"BLACK housing", to the stock market investor, is a catch phrase implying profits and a healthy share price.

For thousands of people waiting for homes there is some consolation in the fact that private enterprise's role in construction will help accelerate the process of meeting pent-up demand.

Demand for housing in black areas has climbed to the extent that there are an estimated 22 000 people on waiting lists in Soweto alone.

Right now, however, the most significant problem concerns an even greater number of families who can't afford, even the cheapest houses offered by developers.

"We estimate that services offered by developers meet the demand of between five and eight percent of the population in the PWV area," says Matthew Nell, chief executive of the Family Housing Association, a housing utility company of the Urban Foundation. If the estimated number of black families in the PWV area is compared to the number of housing units which exist, the outstanding need for homes is conservatively estimated at 320 000 units, according to Nell.

The national shortage is more like 700 000 houses.

Nell outlines some of the reasons which have led to the backlog. Until about five years ago when the private sector entered the market, black housing was a centralised and subsidised state operation. The system did not respond to demand but was controlled by available resources.

Nell adds that socio-economic factors and urbanisation growth contributed to the problem. Previous political policy didn't help either: influx control legislation at the peak of its implementation meant almost no houses were built for blacks in cities. The buck has since been passed to the private sector and considering the profits involved a number of developers have naturally responded.

Euan Cormack-Thomson, sales director of Shachat Homes which deals with development in black areas, explains how companies like his operate in the black market.

-Land is set aside for development. Councils controlling these areas seldom have the financial backing to provide the essential infrastructure needed before houses can be built.

As a result, they appoint private developers to handle the infrastructure and in return grant an allocation of stands in proportion to the amount of money the construction company has spent on the installation of roads, water, electricity and sewage systems.

The developer then builds a house on the stand and the completed project is sold at a price determined by the value of the house and the ground. Land value will vary in line with the services offered in the area.

Cormack-Thomson notes that stands in areas which are not yet supplied with electricity will sell for less than those with access to power.

The ground does not become the property of the developer who acts as an agent and handles the sale of the property. The cash value of the land is then refunded to the authorities.

Estate agent David Bopape confirms the huge demand for new and second-hand houses. He is, however, critical of some developers who concentrate on the provision of more expensive housing.

While many developers concentrate on houses in the R30 000 price range, Bopape says, the majority of properties sold on the open market go for around R10 000.

Municipalities which suffer from a lack of funds tend to focus on the administration side and the provision of services. This has contributed to the huge shortage of cheaper homes.

Terry Power, general manager of Standard Bank's home loans division, notes a rise in demand for finance. "The demand is going to be with us for a long time — especially in the R10 000 to R12 000 range. But there is a need for bonds right across the price spectrum."

Power says his bank's criteria for lending to black customers are the same as for their white counterparts.

Clearly the emergence of a black middle class will see more and more people qualifying for bigger bonds. In spite of the government subsidy for first-time buyers, which takes care of one third of a bondholder's interest payment, an estimated 60 percent of families cannot afford "conventionally financed housing."

Nell says the emphasis should be on the provision of site and service schemes and the long-term development of incremental housing projects. The private rental market should also be developed.

Bill on leasehold rights due today

Political Correspondent

A BILL providing for blacks to convert “occupational rights” to leasehold and later to full ownership is to be tabled in Parliament today, the Minister of Constitutional Development and Planning, Mr Chris Heunis, disclosed.

Mr Heunis said the conversion to leasehold would be free of charge and could later be converted into full ownership in the normal manner.

He said there were 554 901 such houses and business premises involved.

The minister said that till 1986 blacks had been permitted to build homes and buildings on sites provided by local authorities while these authorities also erected houses and buildings for trading and sold the occupation rights to blacks.

Money was lent on a 30-year redemption term and many of the loans had been repaid in full.

Mr Heunis said the occupational rights were outdated as comprehensive leasehold and full ownership had now been made available.

He said the system of occupational rights besides being outdated had given rise to complicated legal and administrative problems.
16 163 houses built for blacks

By BARRY STREET Political Staff

IN SPITE OF a housing backlog of 702,760 for blacks in South Africa's nine development regions, only 16,163 houses were built in the 1986/7 financial year.

This was disclosed by the Minister of Constitutional Development and Planning, Mr Chris Heunis, in reply to questions from Mrs Helen Suzman (FFP, Houghton) and Mr Peter Soal (FFP, Johannesburg).

The region with the highest backlog was the PWV area (region B), which had a shortage of 354,792 houses.

The Natal area, Region E, had a shortage of 142,000 houses.

Other shortages were 36,454 in the Western Cape (Region A), 9,977 in the Northern Cape, (Region B), 50,409 in the Free State (Region C), 52,716 in the Eastern Cape (Region D), 44,885 in the Eastern Transvaal (Region F), 1,639 in the Northern Transvaal (Region G) and 10,465 in the Western Transvaal (Region J).

In reply to another question from Mr Soal, he said 32,210 people had applied for 99-year leases last year. They were granted to 21,463 people in the Transvaal, 5,182 in the Cape, 416 in Natal and 1,156 in the Orange Free State.

Only three people, all in the Transvaal, had been granted leave to buy property under freehold title.
R441m housing

By Julie Walker

The SA Housing Trust has approved R441 million for low-cost housing in its first year of operation.

The trust plans to fund another 30,000 serviced stands and 26,300 houses in the next three years.

Of these, 38% are in the Transvaal, 33% in the self-governing national states, 29% in the Cape, 6% in the Transkei, and 6% in the Free State and the balance in Natal.

The trust raised R109 million on the capital market last year at 11.5% coupon for 1991 redemption. Black home-buyers pay only 8% interest.

Two rooms

The trust was established in January 1997 after an interest-free loan of R460 million was granted by the Government. The private sector added R260 million.

A R10,000 basic unit, comprising two rooms and a bathroom, will cost R95 a month in repayments, and the buyer need earn only R290 a month to qualify for the trust's finance.

A 40m² house can be built for R4,000 and a stand with a pit latrine and a stand pipe costs R2,000.

The SAHT uses labour-intensive methods even though they are not as cost-effective as experienced contractors. But they provide work for the unemployed.

"There is great pride among home-owners," says trust managing director Joe Taylor. There is a backlog of 700,000 houses and it is estimated that 2 million will be needed by the year 2000.

The townships are not well serviced and there is large potential for entrepreneurs to establish businesses in the new housing areas."
Lower income housing to get R800-m injection

Nearly R800 million is to be pumped into housing for lower-income groups through projects run by two major organisations, and more than 35,000 houses will be provided over the next three years.

About 12,000 developed sites and 8,000 houses will be made available to mainly lower-income communities within 12 months by the Urban Foundation, its chairman Mr Jan Steyn has announced.

And the South African Housing Trust Ltd has committed itself to countrywide low-cost housing projects worth R441 million, the trust announced in its annual report.

Managing director Mr Joe Taylor said these projects were expected to yield 27,000 serviced stands and 26,300 houses for blacks in the next three years.

Mr Steyn said: "South Africa is a rapidly urbanising society and while rural and agricultural development clearly remain vitally important, the country's future ultimately will be decided in the cities."

Last year the foundation made 7,550 sites and 2,950 houses available. This year's projects, funded by loans at conventional market rates, should draw R550 million from the private sector.

MORE LAND

Mr Steyn said the increase in serviced sites reflected the progress in land delivery by the authorities.

In turn, this would lead to increased private sector involvement in the provision of housing for black people and should be seen against the background of severe shortages of such land in the past.

Housing for black people remained critical, though, Mr Steyn said, with 250,000 homes needed each year until the end of the century.

About 3.5 million people lived in informal settlements in urban and peri-urban areas. The backlog in urban areas for formal housing was between 500,000 and 800,000, he said.

"South Africa needs a positive approach to urbanisation based on the acceptance of the inevitability and desirability of this process," Mr Steyn said.
HOUSING SHOCK

THE housing short-fall in black areas has reached a staggering '702 000 units while there are thousands of houses standing empty in white areas.

The figure, given in Parliament by Minister of Constitutional Development and Planning, Mr. Chass Hemiss, in reply to a question, shows that the number of black people on the housing waiting list has increased more than twofold since 1986.

A study carried out two years ago by the Institute of Housing of Southern Africa revealed that there was a surplus of more than 7 700 homes in the white areas.

The study also revealed a national housing shortage of 33 400 homes for coloureds, Indians and blacks.

Backlog

Mr. Hemiss said the highest backlog was in region H, which lacked more than 350 000 housing units, followed by region E (692 000), region D (257 000), region C (600 000), region B (1 060), and region G (1 030).

A newspaper article also states that the South African Housing Trust has announced that it is to spend more than R440-million in low-cost housing projects in the next three years. The trust's managing director, Mr. Joe Taylor, said yesterday the projects were expected to yield 37 980 serviced stands and 26 300 houses for blacks.

New move on Budd

LONDON - British athletics hero, taking advantage of a major clampdown by the International Amateur Athletic Federation, yesterday put off her decision over Zola Budd's future until May 31 so that they can make their own probe into her eligibility.

The British Amateur Athletic Board's council voted after a three-hour meeting to set up a three-member committee of inquiry, including an independent chairman, to investigate whether Budd broke the IAAF's rules barring contact with South Africa.

The IAAF council has asked Budd not to take part in competitions under international rules in the meantime.

The IAAF had been demanding that the IAAF drop a year-long ban on the runner after charging her with taking part in an athletics meeting in South Africa last year.

But BAAB officials yesterday voiced their concern over the IAAF affair after the IAAF dramatically dropped its threat to ban Britain from the Seoul Olympics in September if the board refused to face the athlete.

The IAAF could also be reined in by the news on Saturday that a right-wing pressure group had started legal action against the world body.

The Freedom Association, headed by former British international athlete Norman McWhirter, claimed that the IAAF was guilty of blackmailing in issuing the threat. — Sapa.

John Play-SMooth ViDEL

New John Player

GET THE PLEASURE OF SMOKING
Thousands of new homes for low-paid

Staff Reporter

NEARLY R800-million is to be pumped into housing for lower income groups through projects run by two major organisations that will yield at least 60 000 serviced sites and more than 35 000 houses in the next three years.

About 12 000 developed sites and 8 000 houses will be made available to mainly lower income communities within 12 months by the Urban Foundation, its chairman, Mr Jan Steyn, announced today.

And the South African Housing Trust Ltd has committed itself to countrywide low-cost housing projects worth R144-million, the trust announced in its annual report. R97-million of this is destined for the Cape.

The managing director, Mr Joe Taylor, said these projects were expected to yield 37 000 serviced stands and 26 000 houses for blacks in the next three years.

FUTURE IN CITIES

Mr Steyn said: "South Africa is a rapidly urbanising society and while rural and agricultural development clearly remain vital, the country's future ultimately will be decided in the cities."

Last year the Urban Foundation made 7 550 sites and 2 950 houses available.

Mr Steyn said the increase in serviced sites "reflected the progress in land delivery by the authorities".

In turn, this would "lead to increased private sector involvement in the provision of housing for black people and should be seen against the background of severe shortages of such land in the past."

STILL CRITICAL

But housing for blacks remained critical, Mr Steyn said, with 250 000 homes needed a year until the end of the century.

About 3.5-million people lived in informal settlements in urban and peri-urban areas. The backlog in urban areas for formal housing was between 500 000 and 800 000, he said.

Meeting this "would make a real contribution to job creation and skill development. It would also promote human dignity, stability and self-sufficiency".

Partly as a result of the deliberate encouragement of labour-intensive methods, the projects will create about 9 500 jobs countrywide in the building industry.

The projects are expected to generate profits of more than R300-million for entrepreneurs in the communities for which houses are built.
A 350-m SCHEME TO PROVIDE HOMES

THE Urban Foundation yesterday announced a programme that would envisage the sale of 12,900 sites and 8,800 houses, principally for lower income communities.

The UF yesterday announced details of its plans for the coming year in a statement.

Its chairman, Mr Jan Steyn, said the residential development and construction division, that would run the programme, was funded by loans at conventional market rates.

It was estimated the activities would result in R350 million being drawn from private sector institutions to fund long term housing finance and associated development in the year ahead.

MR JAN Steyn
Govt reviews subsidies for house buyers

CAPE TOWN — Government is being forced to re-evaluate its first-time house-buyers' subsidy scheme, as a result of the growing financial burden it is imposing on the state's coffers.

According to the Department of Public Works and Land Affairs annual report, tabled in Parliament yesterday, the scheme is being reviewed to ensure the state is not ensnared in an accumulative obligation which may embarrass it at a later stage.

The subsidy scheme, representing a joint effort by the state and the private sector, briefly entails that 33.3% of the interest payable by a first-time buyer is subsidised during the first five years. The ceiling placed on the unit cost of the house is R50 000.

Since it was first introduced in 1983, about 21 569 units have been completed, and this level of participation is rapidly increasing.

Changes to the subsidy scheme now being considered include:

☐ That the subsidy amount, calculated over five years, be paid over a seven-year period, on the basis that the full subsidy covering the first two years be

Home subsidy scheme is under scrutiny

paid in equal monthly instalments, with the balance spread over the remaining five years in annually diminishing amounts;

☐ Existing houses be included in the scheme;

☐ That a maximum be laid down for the total cost of the dwelling and the site in order to avoid "unwarranted manipulation" to qualify for the R40 000 limit;

☐ That the R40 000 limit be increased to compensate for the increase in building costs since the scheme was first introduced four years ago;

☐ That the scheme be made more accessible to the lowest-income groups by the payment of a constant subsidy on a dwelling costing R27 500 or less, including the cost of the land, on condition the total subsidy payable over the proposed seven-year term shall not exceed R5 000.

Government has estimated that under these proposed new conditions a programme involving 10 000 dwelling units would push the state's financial commitment to R676m a year. The private sector's investment, in turn, would amount to R400m annually.
WHILE the government is having a second look at its first-time home buyers' subsidies to the public, its 100% low-interest home loans for civil servants in the last six months of 1987 increased to a mammoth R1.8 billion — about 5% of the budget.

These figures — which drew strong criticism last night from the Progressive Federal Party — were revealed yesterday in a Department of Public Works and Land Affairs annual report tabled in Parliament.

The first-time home buyers' scheme is being reviewed because of the growing financial burden it is imposing on the state's coffers and to ensure that the state "is not ensnared in an accumulative obligation which may embarrass it at a later stage".

The report makes it clear that the state believes the scheme has much merit, but that it is determined to restructure it so as to keep the state's contribution to a "realistic" level.

Elsewhere, the report records that the R1.8 billion civil servants covered 15,506 loans granted and guaranteed on existing and new houses between July and December last year.

Many government employees pay substantially lower interest rates on home loans — about 3% — compared with current interest rates, which are expected to rise shortly, of 13.5% and 14% paid by members of the public.

**Full financing**

In terms of the loan scheme to its employees, the government guarantees 20% of the loan, with full financing borne by financial institutions.

Guarantees totalled R345.9-million last year, substantially above the R267-million guaranteed in 1979.

The sharp increases in loans granted were due to the fact that non-white civil servants have started participating in the scheme to a far greater extent, said the report.

Since it was first introduced, in 1983, some 21,569 houses have been built under the scheme — and this level is increasing rapidly.

Changes to the subsidy scheme may now be considered include:

- That the subsidy amount, calculated over five years, be paid over a

To Page 3

From page 1

Home Loans

123

# 50

# 50

Total

3-5861

Box 2499, Johannesburg

11 Door, Frieda Hall, M"e

National Union of Landeworkers, Cleaning AN
Govt to put 22 900 properties on sale

CAPE TOWN — The state has identified 22 900 properties which it is prepared to place on the market, in an accelerated land sale programme scheduled to start in July this year, says the Public Works and Land Affairs Department annual report tabled in Parliament this week.

A department spokesman yesterday confirmed the sales programme represented official policy to sell off state land, where it cannot be used in the foreseeable future.

This has been policy since 1982 and, according to official statistics, has resulted in sales of nearly R70m since its inception. This involves some 4 723ha of rural land and 1 890 unspecified urban properties.

The report says the 22 900 properties represent about 50% of the state properties on a central computerised property register.

The register is to be used to monitor the marketing of “redundant” state land.

It will also form the nucleus for implementing the Rating of State Property Act of 1984, which is expected to come into effect from July 1.

Government spokesmen made clear the property sales programme will not take the form of a massive clearance sale, but will rely on existing market conditions to determine whether the prices offered are acceptable.

They also emphasised that much of the property available may not be marketable.
Black housing backlog now stands at 702 000

By David Braun, Political Correspondent

The national housing backlog continues to escalate alarmingly in spite of a huge effort by the private and public sectors to build homes involving billions of rands.

Statistics from various sources in Parliament this week revealed that the total housing backlog for blacks countrywide at the end of December 1987 was 702 750. The shortfall for coloureds and Indians is believed to be at least 100 000 units.

Constitutional Development Minister Mr Chris Heunis told Mr Peter Soal (PFP, Johannesburg North) in the House of Assembly yesterday that the backlog in development region H, that is the PWV area, was 334 792 or more than half of the national total.

A few weeks ago Mr Heunis revealed that the official tally of squatters countrywide was near the one million mark, with 900 000 of these in the PWV.

Against a problem of such magnitude, these projects are under way:

- The South African Housing Trust Ltd, with R400 million from the Government and R600 million in loan bonds raised from the private sector, has already approved 36 757 new stands (valued at R63 million), and erected 21 522 housing units (valued at R304 million).

- The Urban Foundation announced yesterday it would make available about 13 000 developed sites and 8 000 houses to mainly lower-income communities this year.

- Government institutions, as employers, are making a considerable contribution in promoting home ownership among all population groups.

In the last six months of 1987, 13 506 loans were granted to public servants. Of these 7 818 were for new houses.
Optimism greets subsidy changes

By Peter Dennehy

Property developers have been cautiously optimistic about some of the changes the government is considering making to the first-home buyers' subsidy.

Mr Hans Moser, joint managing director of Faircape Homes, said his company had known of the proposed changes to the government's subsidy scheme and he welcomed the proposal to spread the subsidy over the first seven years of ownership, instead of the first five, as at present.

He also thought it was a good idea to place the limit — for qualification for the subsidy not only on the price of the building but also the plot.

Mr T Stergianos, managing director of Diah Homes, also welcomed the "smoothing of the bump" when a homeowner had suddenly to cope with payments without the benefit of a subsidy after five years.

But he felt it was unfair that only buyers of houses under a certain maximum price should qualify for the subsidy.

Another developer, who declined to be named, also welcomed the proposed raising of the R40 000 qualifying limit on houses.
HOME LOAN GROWTH

United Building Society, subsidiary of UBS Holdings, granted R1bn of home loans in the first four months of 1988. This is a gross figure.

Its effect on mortgage balances will depend on the extent of capital repayments, how quickly bonds are registered and the number of building loans involved (on which payments are made as building progresses.)

However, MD Mike de Blanche expects they will have "a significant impact on total mortgage balances on our books by the third quarter."

The level of mortgage advances in December stood at R8.7bn after relatively slow growth in 1987, in the face of determined opposition from banks for a meaningful share of the home loan market.

Most of the new business was written in the first three months, before United increased its mortgage rate from 12.5% to 14%, and April saw some decrease in the rate of growth.

However, De Blanche believes banks, "with a total home-loan book of about R6bn, will feel more pressure on margins as short-term rates move up fast."

29/4/88
Superhuman task

The SA Housing Trust (SAHT) was launched in January last year. How successful has it been?

According to the SAHT chairman Fred du Plessis in the annual report released this week, the current backlog of housing is estimated at more than 700 000 units. Du Plessis adds that “it is estimated ... that up to the year 2000 approximately 2m new houses will have to be built ... an average of 210 000 units per year.”

So far the trust has committed itself to countrywide low-cost housing projects worth R441m. These are expected to yield 37 900 serviced stands, in addition to 26 300 houses for blacks in the next three years, says SAHT MD Joe Taylor. However, Taylor recently told the FM that during its first year of operations, the SAHT spent only R30m and produced only 2 000 houses and 2 700 serviced stands — around 2% of what the trust itself says is needed (See page 63).

Given these figures, the trust, as presently constituted, is only scratching the surface of the problem. Taylor says plans to streamline the SAHT’s delivery process are under way. One problem it hopes to sort out is SAHT contracts which contractors have apparently been reluctant to sign — contracts worth only R1-40m have been signed so far. The reason for this, says Taylor, is that some contractors have been cautious because the whole system is new. Another reason being mooted by members of the homebuilding industry is that contractors are worried that prices of the completed houses are too high, and that they will be unable to recoup their costs. So getting signatures is now a priority, and Taylor expects contracts for the balance of the work to be signed within months.

Another factor in slowing production is the SAHT’s emphasis on job creation and the use of local contractors. “These smaller contractors have had to go through a learning curve to extend their operations to cope with larger projects,” says Taylor. The trust, however, maintains that its aim of job creation is as important as providing housing, and any slowdown as a result of this policy is justified.

“The importance to the country of creating new jobs in the communities we serve is evident from unofficial estimates of unemployment — currently about 4.5%,” says Fred du Plessis. According to the annual report, the policy encouraging labour intensive methods in SAHT projects will create about 9 500 jobs countrywide.

“Any higher costs that labour-intensive methods might entail should be seen against the cost of providing social programmes for the unemployed,” says Taylor. “The projects are expected to generate profits of more than R30m for community entrepreneurs.”

Another hassle has been bond financing. Although the SAHT was set up to provide development finance, it has discovered that building societies are reluctant to lend money to low income consumers for the type of housing being created. To overcome this problem, the trust has set up Khayalethu Home Loans, a company funded by the trust to provide bonds to potential home owners.

The SAHT was established with an interest-free loan of R400m granted by the government. The loan was subject to the understanding that the private sector would supplement it by at least R800m. The trust demonstrated its ability to get private sector money by raising R100m from the primary capital markets in November 1987.

However, based on the figure of 210 000 houses needed a year and an average cost of R10 000 a house and with inflation taken as 12%, says Du Plessis, R4.5bn a year will be needed.

“With the projected capital of R1.2bn (which still means raising another R700m on the capital markets) provided by government and private sector in terms of the loan agreement, little progress will be made.”
housing is something between 500 000 and 800 000 units.

Steyn pinpoints urbanisation as the critical challenge of the next decade: "SA needs a positive approach to urbanisation, based on the acceptance of the inevitability and desirability of this process and the need for the cities to manage it successfully." During 1988-1989, UF urbanisation policy will be concentrating on SA's cities as the engine for economic growth and job creation.

The UF also aims to provide resources for these urban communities to improve their own economic and social circumstances. This could be done through the establishment of community resource centres. These would address local needs, such as the provision of advice concerning housing and financial matters.

In the educational sphere, apart from traditional UF involvement in adult education and teacher training, efforts will be concentrated on rationalising and improving the contribution of the private sector.

**URBAN FOUNDATION**

**Looking ahead**

Jan Steyn, chairman of the Urban Foundation (UF), has given details of its plans for the coming year. On the housing side, the UF envisages the sale of 12 900 developed sites and 8 800 houses, principally for lower income communities. It is estimated that this will result in some R350m being drawn from the private sector to fund long-term home loan finance.

Steyn notes that the anticipated increase in delivery of serviced sites reflects good progress in the delivery of land by the authorities. This augurs well for increased private sector involvement in black housing. UF activities in this area should also encourage job creation, self-sufficiency and black entrepreneurship. Despite these positive signs, the issue of black housing remains critical. In urban areas alone the backlog is formal...
Shortage of black housing

HOUSE OF ASSEMBLY. — The extent of black urbanization and inadequate housing had resulted in a severe shortage of sites, and special attention was being given to township development, the Department of Development Aid said yesterday.

"More than 40,000 new sites were surveyed and a large percentage of these sites were supplied with services.

"Everything possible is being done to adapt the level of services offered to the needs of the community, ranging from rudimentary to full services such as electricity, sewerage and tarred roads."
Allied pushes up bond rate to 14.5%.

Home-owners will soon pay more for their mortgage bonds and further increases could follow later this year. And tougher hire-purchase regulations are likely to be imposed by the government, possibly this week, in the face of increasing pressure on the prime overdraft rate.

Yesterday the Allied building society told its thousands of borrowers they would have to pay more from June 1, when rates will go up by 0.75% to 14.5%.

This means a home-owner with a R50 000 bond, repayable over 25 years, will find his monthly repayments at about R620, compared with about R590.

Sanlam's assistant general manager (investments), Mr Hendrik du Plessis, said he expected prime to rise by one point, with another to come in July. He felt the authorities would want to avoid a prime rate as high as 16% in order to avoid bankruptcies and unemployment.

If the prime-rate rose to not more than 16% and other controls were effective, long-term interest rates, such as those on gilts, should not go higher than 17%.

→ Mixed reaction to rate rise — Page 9
Home loan, HP rates set to rise

DID 3/5/88
Daily Dispatch
Correspondent

DURBAN—Home-owners will be called on to pay more for their mortgage bonds within weeks, and further increases might follow during the course of the year.

Tougher hire-purchase regulations are likely to be imposed by the government, possibly this week, in the face of increasing pressure on the prime overdraft rate.

Yesterday, the Allied building society told borrowers they would have to pay more from June 1, when rates will go up by 0.75 per cent to 14.5 per cent.

This means a homeowner with a R50 000 bond, repayable over 25 years, will find his monthly repayments at about R620, compared with about R590.

According to a statement by the country's biggest building society, the United is "not reacting" to the Allied increase, but is waiting for indications of rate increases from the Reserve Bank, expected early next week.

The managing director of the SA Perm, Mr Bob Tucker, said the society was determined to keep rates stable.

The assistant general manager, loans, at the Natal Building Society, Mr Trevor Oliver, said yesterday the NBS was already in a period of notice to its borrowers that rates would go up to 14 per cent from June 1.

The increase in interest rates seems to be across the whole board of investments. Credit card charges are reported to have risen by as much as 1.5 per cent on outstanding amounts.

Meanwhile, economists and financiers are watching the prime rate anxiously.

The assistant general manager, investments, at Sanlam, Mr Hendrik du Plessis, said he expected the prime rate to rise by one point, with another to come possibly in July.

With consumer spending at record levels as South Africans celebrated the apparent end of the long years of recession, warnings were given that the spree might end quite abruptly.

Mr Du Plessis believes that if the prime rate increases are taken with measures such as tighter restrictions on easy-payment purchase, pressure on the rates might ease off.

He felt the authorities would want to avoid a prime rate as high as 18 per cent in order to avoid bankruptcies and unemployment.

He forecast that rates would rise quite quickly, then level off.
New law threatens 90 000

BY David Braus, Political Correspondent

CAPE TOWN.—An estimated 90 000 people could lose their homes under proposed group areas legislation, the Progressive Federal Party has estimated.

The majority parties in the Houses of Representatives and of Delegates have announced they will form an alliance to block the legislation, meaning the Government would have to use its majority in the President’s Council to force it through.

In the House of Representatives yesterday, President Botha refused to debate the planned new legislation.

The Minister of Law and Order, Mr. Adrian Vlok, confirmed in the House of Assembly that two special “group areas police squads” were already in existence in Johannesburg and Durban.

100 000 ILLEGALS

A PFP spokesman said yesterday that his most conservative estimate was that 100 000 people were living illegally in areas reserved for whites.

The Government had lost control of the group areas situation, he said, as the pressures of population, economics and marketing had caused the concept of segregated residential areas to break down.

The draft legislation gives the authorities power to evict offenders of the Group Areas Act from their homes, even if no alternative accommodation is available for them.

The Conservative Party has indicated that it would welcome new machinery to evict people of colour from white areas.

The National People’s Party and the Labour Party confirmed yesterday that they would meet to co-ordinate opposition to the legislation.

Yesterday, President Botha told the House of Representatives during the debate on his vote that the legislation would be introduced during this session of Parliament, and that that would be the opportunity for it to be debated.

See Page 11.
THE Government is morally obliged to provide houses for the low income group and the scrapping of the Group Areas Act and the Land Act will solve the shortage of houses among blacks, writes MATSHUBE MFOLOE.

This was said by the president of the National Environmental Awareness Campaign (Neac), Mr Japhta Lekgetho, in response to a recent announcement by Urban Foundation to build houses worth R350 million for blacks.

Mr Lekgetho said the Urban Foundation's initiative "will only alleviate the problem and not solve it." He said the definition of "low income group" and "low cost houses" were confusing and ambiguous.

Most of the "low cost" houses cost around R22000 and the majority of black people homeless earn about R200 a month. Since this group, (low income group), cannot afford the prices, they resort to squatting, Mr Lekgetho said:

He said blacks who cannot afford expensive houses should have a choice to stay in houses built and subsidised by the Government.
rate rises

home loan interest

percent increase in bond rate to 15 percent. The First National Bank announced a 15 percent increase in its bond rate to 15 percent, effective today.

The first shocks of the government's economic policy restrictions currently put in place have been increased to 15 percent, requiring an initial deposit of R1.50. For an item purchased for R1,000, a deposit of 15 percent, or R150, has been increased to 15 percent, requiring an initial deposit of R150, which might be temporary. It is expected to be adjusted in future agreements.
Rate increase hits buoyant homes market

FRANK JEANS

This week's interest rate shock, which will inevitably push up bond repayments, could seriously affect the present booming homes market.

But, in a counter swing, by the end of the year a R112 000 home could be selling close to R150 000.

There is consensus among leading real estate agents that the market could withstand a bond rate of up to 15 percent, but if it goes to 17 to 19 percent there will be serious repercussions.

Mr Eskel Jawitz, of Eskel Jawitz Estates, says: "I said back in January on a television show that we would have to tread carefully and not stretch financial limits.

"Now this is happening. You can't keep the lid on the pressure cooker too long, otherwise there will be a mighty explosion."

Nevertheless, Mr Jawitz sees still good demand for homes and, depending on rates being maintained at present levels, the market could "weather the storm."

Mr Basil Elk, of Basil Elk Estates, says: "There are still plenty of people looking for houses, but it means that they will just have to adjust their price range. The seller, too, will have to bring down his asking price."

Mr Piet Happman, of De Huizemark, says: "The market has only just returned to normality and now we are threatened with higher interest rates artificially imposed as a means of beating inflation."

The uncertainty of what is going to happen is having a dampening effect on the market," he said.

Freak Kani

The ghost of Desdemona has haunted the centuries. In the same way, South Africa's actor John Kani has had his share of it.

He stepped in at the 11th hour, replacing Richard N'zimande, star of the production "Stormriders," who had been ill.

"For so many months, I was attracted to the role of Othello. To act side by side with him was horribly deja vu," said Kani.

What is even more unbelievable happened.
Homes firm offers shares

A DURBAN building company is offering shares to the public to help finance housing projects in KwaZulu and Ciskei.

Worth R11.5-million, the combined projects will provide 360 housing units.

The company - General Housing - provided houses for under R28 000.

Chief executive, Piotor Theron, said the company needed R500 000 to finance the construction program.

Unlisted securities and private placings expert, Timus van Dyk said the share issue would be readily available.

"The company has an excellent track record. It has a manufacturing plant covering 5 800 sq metres and a strong management team. These attributes lead to a healthy investment in shares," he said.
Black housing boom under way

By Frank Jeans

The gathering momentum of the black housing market is seen from the results of a national survey which reveals that only 43 percent of homebuilding plans passed last year were for whites, compared with 67 percent in 1985 and 57 percent five years ago.

"These figures reflect the unleashing of demand which has been pent up for decades," says Mr Erwin Rode, research director of Real Estate Surveys which, along with the Bureau for Economic Research of the University of Stellenbosch, conducted the survey.

"Housing contractors are, on average, going downmarket and private sector housing for people of colour is booming to an unprecedented extent."

Providing the spark to the black homes boom has undoubtedly been the amendments to the Black Community Development Act which has opened the way for blacks to have freehold rights in white urban areas and given the private sector entrepreneurs the opportunity to buy land in the townships for development.

Asian housing

Coloured and Asian housing starts doubled between 1984 and last year, while plans passed for black accommodation during the same period increased by a factor of 32.

"Over the same period, white housing plans went down by 11 percent," says Mr Rode.

Also giving a spurt to the non-white market which is seen to be making a "major structural change" to the traditional business, is seen to be the increased willingness of banks and building societies to provide much needed finance.

Employers, too, are playing an increased role in making housing schemes possible for blacks. "The mining houses for example are only now about to begin a drive towards black employee housing," says Mr Rode.

Another interesting trend has emerged from the survey. In 1985, 33 percent of black households could afford a housing loan of more than R12 000 without a subsidy.

Overcrowding

"We believe, given the present overcrowding and assuming a continuation of the redistribution of wealth that is currently taking place in South Africa, the longer-term prospects for homebuilders in the black market is good," says Mr Rode.

"Overall, the good news for the building industry is that we expect a growth of 8 percent in real terms in the private sector's investment in residential building this year, with that of 1989 possibly averaging out at 4.5 percent," says Mr Rode.

While the home building boom is going on, shortages of artisans and building materials continue to be the industry's bugbear.

According to the bureau, more than 43 percent of building sub-contractors report a serious shortage of artisans as building companies "compete fiercely to meet housing demand."

On the bright side again, 70 percent of residential builders report a higher volume of work than a year ago, compared with 61 percent among non-residential men.
The Perm rides high on black housing, savings

By Udo Rypstra

The Perm granted R2.2-billion in loans of which R56-million, or R66-million a month, went to black housing in the past year. This was virtually double the previous year's figure. The lending pace quickened after an advertising campaign that drew enormous response from the black community. The average black loan is worth about R22 000.

The housing shortage for blacks is more than 600 000 units. Perm officials say they are only scratching the surface and the black demand for loans will soar.

Perm officials hint that income from savings has also risen dramatically. Thousands of black consumers and several collective savers, including stock- or by-gone groups operating club accounts, have joined the Perm-in response to the advertising campaign and its educational "phone-in" promotion on Radio Metro. The Perm plans to sponsor a similar promotion on TV2 and 3.

Crowds milling inside and outside Perm branches in Soweto and Johannesburg on Saturday mornings and the telephone-jamming response to the radio programme confirm it has become a champion of the black consumer cause.

Benefit

Peter von Broembesen, assistant general manager, marketing, says black consumers are beginning to understand the benefits of capitalism and home ownership.

Most of their savings are still in ordinary and transmission accounts, but subscription shares and fixed deposits are becoming popular.

Mr von Broembesen says the Perm has had to open several outlets to cope with the increasing customer traffic. The number of transactions increased by 27% in the past year.

Critics say that the administrative and accounting problems and withdrawals must be slowing the Perm's computer system. Some believe that the Perm has taken on doubtful business.

However, Mr von Broembesen reject these suggestion as ridiculous.

"We are not in black housing and savings for philanthropic reasons. We see it as a business opportunity and we look at it in the long term. We see the development of a new market in which we have a major role to play.

"Our computer system can cope with even bigger volumes. Like other societies, we charge for each transaction. Balances in accounts are rising as steadily as the incomes of these customers.

Percentage

"The black consumer's ability to save is widely undervalued. Because of his particular needs and because he is an inherent saver, he puts a bigger percentage of his income away than the white consumer."

Mr von Broembesen stresses that the Perm serves the whole spectrum of savers and home owners at all income levels and has no particular designs on the black market.

"We merely respond to it," he says.

This week, the Bureau for Economic Research at Stellenbosch University confirmed the boom in the black housing market. A survey found that only 43% of housing plans passed in 1987 were for whites compared with 67% in 1985 and 67% in 1983. Coloured and Asian housing doubled between 1984 and 1987, and plans for black housing increased by 32%.
Black housing demand takes off

Home boom — builders caught short

THE unleashing of black demand for housing has seen the building industry hit by soaring costs, compounded by severe shortages of labour and materials.

The driving force behind the boom has been the 1986 amendments to the Black Community Development Act, which allowed blacks freehold rights in white urban areas and allowed the private sector to buy land in townships for development.

A Bureau for Economic Research (BER) survey, conducted in conjunction with independent market research company Real Estate Surveys (RES), found 43% of building plans passed in 1987 were for whites, compared with 87% in 1985 and 67% in 1983.

One of the results of the BER study shows a net 70% of residential contractors reported a higher volume of work than a year ago.

RES director Erwin Rode says, "Coloured and Asian housing has doubled between 1984 and 1987, while plans passed for black housing during the same period increased by a factor of 32. Over the same period white housing plans decreased by 11%.'"

Central Statistical Services (CSS) figures released for February 1988 show the total value of building plans passed for houses increased by a huge 49.9% compared with February 1987.

The CSS also points out although the total value of buildings completed (factories, civic structures and homes) for the same month rose only 2.1%, the increase in respect of residential buildings was 28.5% compared with February 1987.

Building Industries Federation of SA (Bifsa) statistics show the cost of building has risen 21% to 22% over the past year mainly as a result of material price increases.

But Bifsa executive director Lou Davis says building costs will climb further this year as a result of higher interest payments, higher materials prices and pressure from employees for higher wages.

The Bifsa statistics show the cost of building an average home, excluding the price of the stand, was R568/m² last year.

Davis says: "This has now risen to R685 and, when combined with higher bond rates, means many families will not be able to afford to build.

"As a labour-intensive industry we are dependent on the skills of the workmen on site and it is unfortunate that with each slump we lose thousands of skilled workers who are reluctant to return later."

He says in the past two years wage increases have been below the country’s inflation rate.

"The industry is facing pressure from employees to raise wages. Although government has appealed for restraint, it is certain that increases will have to be paid."

The BER says more than 43% of building subcontractors have reported a serious shortage of artisans.

BER director Ockie Stuart says: "Contractors are experiencing difficulties with the availability of materials. Some 62% of residential contractors have reported an unsatisfactory supply of stock or common bricks, while a high 75% regard the supply situation of face bricks as unsatisfactory."

Bifsa’s Davis points out employment in the industry dropped from 370 000 in 1984 to 180 000 in 1986 and is still well below the 1984 levels.

"The only effective method of stabilising the building industry is for institutional investors and developers to keep investing in this sector. Also building material suppliers must do everything possible to contain costs and limit further price increases."
Standard raises home loan rate

HAROLD FRIDJHON

STANDARD Bank is raising its home loan mortgage rate to 14.25% from the present 12.5% from July 1, a move which some surprising competitors described as being "very aggressive marketing".

The rate on its Prestige bonds, on loans of R100 000 and over, will rise to 13.25% from 12.5% on July 1, in accordance with the bank's undertaking not to raise its rates before June 30.

This leaves Nedbank offering the cheapest home loans in the market: 12.5% fixed to September 30, with three months notice of any change. It would be surprising if Nedbank does not give this notice at the end of June.

Among building societies, NBS is the cheapest supplier of home loans. The current NBS rate is 14% to all borrowers. The rate charged by most other societies is 14.5%, with the UBS at 15%.

Standard's rate rise was not unexpected in view of the increase in the rates pattern since the beginning of the year.

Thieves hit Lesotho
Demand sets building costs soaring

JOHANNESBURG — The unleashing of black demand for housing has seen the building industry hit by soaring costs, compounded by severe shortages of labour and materials.

The driving force behind the boom has been the 1986 amendments to the Black Community Development Act, which allowed blacks freehold rights in white urban areas, and let the private sector buy land in townships for development.

A Bureau for Economic Research (BER) survey, conducted in conjunction with an independent market research company, Real Estate Surveys (RES), found that only 43 per cent of building plans passed in 1987 were for whites, compared with 67 per cent in 1986 and 87 per cent in 1985.

One of the results of the BER’s study shows that a net 70 per cent of residential contractors reported a higher volume of work than a year ago.

An RES director, Mr Erwin Rode, said: “Coloured and Asian housing has doubled between 1984 and 1987, while plans passed for black housing during the same period increased by a factor of 32. Over the same period white housing plans decreased by 11 per cent.”

According to statistics released by the Building Industries Federation of South Africa (BifsA), the cost of building has risen by between 21 and 25 per cent over the past year, mainly as a result of material price increases.

But BifsA’s executive director, Mr Lou Davis, said that building costs will climb further this year as a result of higher interest payments, higher prices for materials and pressure from employees for higher wages.

BifsA’s statistics show that the cost of building an average home, excluding the price of the stand, was R506 per m² last year.

“This has now risen to R685 (per m²) and this, combined with higher bond rates, means that many families will not be able to afford to build,” Mr Davis said.

“The industry is facing pressure from employees to raise wages. Although the government has appealed for restraint, it is certain that increases will have to be paid.

“As a labour-intensive industry we are dependent on the skills of the workmen on site and it is unfortunate that with each slump we lose thousands of skilled workers who are reluctant to return later.”

“The only effective method of stabilising the building industry is for institutional investors and developers to keep investing in this sector and for building material suppliers to contain costs,” Mr Davis added. — DDC
Govt to build 140 000 houses

By JIM FREEMAN

The government is to build at least 140 000 housing units within the next two years in an attempt to reduce the South African accommodation backlog, says the Minister of Public Works, Mr. Piet du Plessis.

He told a news conference yesterday that it was "very difficult to give definite figures on the shortage of housing in the country".

"Urbanization is taking place more and more and there is a problem with how to accommodate these people and avoid squatting," he said.

"As far as whites are concerned, there is only a need for young people and those with low incomes. To a certain extent there is a housing surplus for whites."

He admitted that the government had in the past made the mistake of providing housing that people could not afford.

The most serious housing shortage was among blacks and coloured people, and particularly for low-cost housing, he said.

Mr. Du Plessis added that while there was "never enough money for housing", about R1.64 billion had been spent on housing last year. Of this, the state had contributed R400 million in an interest-free loan to the South African Housing Trust in late 1986.

The number of conventional deeds of transfer and bonds registered in the year to end March was 492,193 as opposed to 395,238 the year before.

Nearly 104,000 houses in townships were surveyed and their building plans approved during the past financial year.
140 000 homes to be built to ease backlog

Parliamentary Staff
CAPE TOWN — The government is to build at least 140 000 homes within two years in an attempt to reduce the accommodation backlog, the Minister of Public Works, Mr Pielie du Plessis, said yesterday.

He told a news conference that it was "difficult to give definite figures on the shortage of housing in the country".

Increasing urbanisation posed the problem of how to deal with squatting.

"As far as whites are concerned, there is only a need for young people, and those with low incomes. To a certain extent there is a housing surplus for whites."

In the past the government had made the mistake of providing housing that people could not afford.

The most serious housing shortage was among blacks and coloureds, and particularly for low-cost housing.

While there "was never enough money for housing", R1.64 billion had been spent on housing last year.

Of this, the state had contributed R400 million in an interest-free loan to the South African Housing Trust in late 1986.

The number of conventional deeds of transfer and bonds registered throughout the year in the year to end March amounted to 492 103, as opposed to 365 238 the year before.

Nearly 164 000 erven in townships had been surveyed and their building plans approved during the past financial year.

A further 74 384 erven had been surveyed and their plans were in the process of examination at the end of March.

Registration of leasehold and full freehold rights in black townships had risen to 53 460 by the end of March, with 52 256 occurring during the 12 months from April last year.

However, only 42 blacks had been granted full freehold rights since these rights were extended to them in November.

Statistics indicated that the total number of rented dwellings thus far identified as being up for sale in these townships amount to 373 715 units.

Of these only 80 561 or 22 per cent have thus far been sold via finance obtained from the National Housing Funds.

Sales continued to gather momentum as the surveys programme nears completion.
Inferior housing built to alleviate shortage — Sabs

Because of the rush to alleviate the housing shortage, a great number of houses do not comply with the National Building Regulations, says a statement from the SA Bureau of Standards (Sabs).

It says many are not weatherproof, while structural conditions of some are such that they are unsafe.

Some houses, in fact, pose a health hazard.

To provide a countrywide testing service following reports of poor housing quality, Sabs has established a mobile unit for the testing of buildings and, in particular, houses.

The unit will site-test houses and buildings to determine their weather resistance, structural strength and impact resistance.

The building materials will be tested in its laboratories.

"There is absolutely no justification for the construction of inferior houses or for allowing such state of affairs," says Mr Philip Hamm, head of Sabs' structural engineering division.

"Satisfactory low-cost housing complying with the regulations can be provided at a cost of as little as R150/sq m.

"The erection of non-complying cheap housing is shortsighted because the maintenance of such buildings would cost much more than if satisfactory housing had been provided in the first instance."

He says in some houses, the walls are not water-resistant, resulting in damage to carpets and furniture when it rained.

This could be avoided at a low cost by plastering and painting the walls.

In some cases, the structure was too weak to ensure the roof would be able to withstand a strong wind or heavy storm.

In others, it was found that one-brick walls of too great a length and height were being built without providing the necessary support.
HOUSE OF ASSEMBLY

No. 4, C. 04/70

THE MINISTER OF CONSTITUTIONAL
DEVELOPMENT AND PLANNING

and (I) that it is in the

interests of the economy in the
electoral district in accordance with
the Constitution and the
Framework of Government.

(ii) that the development of the area

has been approved by the
Minister of Economic
Development and
Planning.

The Bill has been referred to the
Committee on Finance.

The Bill is for the purpose of enabling
the House to enact the
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Report: aid scheme for home-owners a partial failure

Daily Dispatch Correspondent
CAPE TOWN — The state assistance to home-owners’ savings scheme, established to help prospective home owners save for a deposit on a property, is proving to be a partial failure.

Adjustments to the scheme are now under consideration.

Changes are also envisaged for the 90 per cent housing loan scheme, which was designed to assist prospective home-owners unable to obtain loans readily in the private sector.

This is spelt out in the annual report of the department of local government, housing and works, tabled in parliament.

The former scheme provides a tax-free benefit on interest earned on savings.

A R20 000 limit is placed on the amount that can be saved.

According to the report, 8 258 people had saved R24.8 million in terms of the scheme by the end of November last year.

The scheme is not viable in all respects.

This may be attributed primarily to the fact that the propensity to save is on the decline.

Moreover, it would appear that the tax-free benefits offered are not a sufficient incentive for saving, because the largest group at which the scheme is directed falls into an income group where tax savings are of little consequence.

Nevertheless, the government declares that it is still of the utmost importance that the scheme be made viable in order to enable young people in particular, to save sufficient money as a deposit on their own home.

As a result, adjustments to make the scheme more viable are now being investigated by the Development and Housing Board.

The second scheme, makes provision for a maximum loan of R29 700 with the all-inclusive cost of the dwelling being limited to R33 000.

The report notes that there has been a decline in demand for loans under this scheme, so much so that the following changes have been proposed in order to make it more viable:

• an increase of the maximum loan and building cost to R35 000;
• an increase in the qualifying income of the breadwinner to a maximum of R1 200 a month;
• an adjustment of the redemption basis of loans, so that monthly instalments are calculated according to the standard rental and selling formulae, and;
• no restriction to be placed on the total cost.

A further aspect under consideration is whether the loan scheme should be extended to include existing houses, and under what circumstances.
Subsidy abuse studied

Government is planning to re-vamp the Public Service housing scheme completely as a result of major problems which have led to under- or over-payment of subsidies and possible abuses.

The problem areas had been revealed during investigations by the Auditor-General and were viewed in a serious light. Administration and Privatisation Minister Dawie de Villiers said yesterday.

Speaking during his budget vote in Parliament, De Villiers said the Commission for Administration had been aware of these problems before the Auditor-General's investigations, and had been reviewing the subsidy scheme with a view to eliminating these problems as far as possible.

De Villiers said the commission had now decided to involve an expert from the private sector "with many years of experience in the building industry" with its efforts to develop a new subsidy scheme.

He said simplicity of application would be of vital importance to any new scheme. As soon as agreement on particulars of the expert's assignment and remuneration was reached, a further statement would be made.

De Villiers told Parliament clear directives had been issued to prevent possible misuse and dishonest conduct by participants in the housing subsidy scheme.

He warned should any person conceal information or misrepresent his situation, the subsidy would be summarily discontinued, over-payments would be recovered, and he would be permanently excluded from the scheme.

De Villiers appealed for co-operation from financial institutions, surmising they were not always ignorant of cases where subsidy recipients manipulated loan situations.
Householders feel mortgage pinch

PREDICTABLY, banks and building societies are experiencing a slight downturn in mortgage applications in the wake of the Government's credit curbs and the higher bank rate.

But the fall is not serious enough to cause concern. An Allied Building Society spokesman says: "The number of holidays in the past couple of weeks must have affected property transactions, and this may have had a bigger effect than fears of higher repayments."

Householders who will feel the pinch most are those who were able to secure a bank mortgage at 12.5% at the height of the battle for market share among banks and building societies.

With the rate moving to 15%, the holder of a 25-year bond of R60 000 will have to hand over an additional R114.29 a month. Repayments will increase from R654.21 to R768.50.

The increase for a householder with a R140 000 bond over the same time will have to pay R286.66 more, monthly repayments rising from R1 526.20 to R1 713.16.

The table gives the increases on bonds ranging from R60 000 to R180 000.

Estate agents have predicted that the higher repayments will depress house prices, but there has been little effect up to R180 000 so far.

"Sales at this level have held up remarkably well, particularly in the Johannesburg area," says an estate agent. "We may see a bigger effect in the R120 000 to R180 000 range."

Source: Allied Group
Housing aid for blacks earning under R300

PRETORIA — The National Housing Commission has decided to assist blacks earning less than R300 to buy homes.

This was said by the Transvaal MEC for Housing and Community Development, Mr John Mavuso, during the joint sitting of MPs and MEPs.

They would be assisted on a self-help basis by receiving a loan in the form of material worth R6 000, plus R1 000 cash to pay for labour.

Mr Mavuso said the National Housing Commission had built 272 707 houses in the Transvaal and more than 61 000 of these houses had been sold.

Other houses for blacks in the province include 25 300 that had been built by individuals and 3 000 by employers.

The leader of the National Democratic Movement, Mr Wynand Maalan, told the sitting that 56 percent of South African blacks could not afford to make a contribution to housing. These 56 percent had a monthly income of less than R300.

"It is the duty of the State to see to the needs of the poor," he said.

"Land must be made available by the Government for those who cannot afford housing."

Mr Harry Schwarz (FPF) said residents of townships who had paid their rent for 15 years had earned their houses. They should be given those houses so they could improve them.
R5 000 boost to help first-time home buyers

By TOS WENTZEL
Political Correspondent

FIRST-TIME home buyers are to receive improved concessions to encourage people in the lower income groups.

The present maximum limit for the cost of a house is being increased from R40 000 to R45 000.

A further increase up to a maximum of R5 000 will be allowed in cases where steep inclines or unfavourable soil conditions on the stand result in higher construction costs.

The concessions were announced today by the Minister of Constitutional Development, Mr Chris Heunis, and other Ministers dealing with housing for the various population groups.

To prevent building costs higher than the new limits being shifted off to the cost of the stand an inclusive cost limit of R65 000 is laid down.

In exceptional cases the limit may be increased to R75 000 if this is justifiable. This limit includes the cost of the house and stand as well as expenditure on administration, consultants' fees and registry of freehold rights.

The maximum subsidy payable will still be calculated on a building cost of R40 000.

LOWER INCOME GROUP

To ensure greater participation of people in the lower income groups it was decided that for all loans in respect of building costs less than R20 000 a subsidy calculated on R20 000 would be paid.

The subsidy may not, however, amount to more than the interest payable on the building loan. For this purpose the cost of the stand and other expenditure included in a loan of less than R20 000 may also be taken into consideration.

The revised interest subsidy scheme will be implemented from August 1 and will apply only to new applications received by financial institutions after that date.
Housing is the key to stability

Schwarz

Houses in black townships should be given to their occupants, EFF MP Harry Schwarz, said in the extended parliamentary committee on provincial affairs sitting in Pretoria yesterday.

He said people who had paid their rent for 19 years had made their contribution and their houses should be given to them so they could obtain loans to improve them. He said this would provide peace and stability.

He also called for the marketing of black housing to be taken over by building societies.

Fund

Lemmer (NP Benoni) said government and the private sector should establish a central fund of R50 million for housing for lower-income groups. Reports said an amount of R6000 could be given to a building society as collateral for a 10% loan.

In three to four years, the original amount would have been paid back to the self-help fund.

Wynand Malan (NDM, Randburg) said priority should be given to making land available to people who would not afford sites.

About 56% of blacks had a monthly income of less than R1000 and could not contribute to buying land. It was the state's responsibility to see to the collective needs of the poor.
Ceiling on home loans to be raised

Political Staff

The ceiling on loans for first-time home buyers participating in the government's subsidy scheme is to be raised and the subsidy period increased from five to seven years from August 1.

The revised scheme will apply only to new applications received by financial institutions after that date, according to a joint statement released in Cape Town by several cabinet ministers headed by the Minister of Constitutional Development and Planning, Mr Chris Heunis.

The statement indicates that as a result of representations received from the private sector, the government has decided to increase the loan ceiling from R40 000 to R45 000. A further increase up to a maximum of R5 000 is also to be allowed in cases where steep inclines or unfavourable soil conditions on the stand result in a higher cost of construction.

An all-inclusive cost limit of R65 000 has been laid down, but in exceptional cases the limit may be increased to a maximum of R75 000.

The maximum subsidy payable will still continue to be calculated on a building cost of R40 000, the statement stresses.

As far as the subsidy period is concerned, it was announced that this period is to be increased to seven years, and there is to be a gradual phasing out of the subsidy on the interest payable on the housing loan from the third year.
Govt ceiling on first-time home loans up R5 000

CHRIS CAIRNCROSS

CAPE TOWN – The ceiling on loans for first-time home-buyers taking part in the government’s subsidy scheme is to be raised and the subsidy period increased from five to seven years from August 1.

The revised scheme will apply only to new applications received by financial institutions after that date, according to a joint statement released by several ministers headed by Constitutional Development and Planning Minister Chris Heunis.

The loan ceiling will be increased from R40 000 to R45 000. A further increase up to a maximum of R5 000 is also to be allowed in cases where steep inclines or unfavourable soil conditions on the stand result in a higher construction cost.

To prevent building costs escalating beyond the R45 000 ceiling being shifted to the cost of the stand, an all-inclusive cost limit of R65 000 has been laid down. In exceptional cases, the limit may be increased to a maximum of R75 000 if, in the opinion of the relevant minister, it is justifiable.
Housing market boomers as rates rise

The Economy

Weekly Mail, May 27 to June 2, 1988
What do housing schemes offer?

Firstly we should examine the form of assistance scheme available to employees of the Government. People who have this kind of employment usually qualify for a form of subsidised loan guarantee that is not available to employees of private companies. It is a special scheme that gives each person a guaranteed amount of loan. In addition the employee pays a reduced amount on this loan each month.

This type of arrangement is special and means that anyone qualifying for such a scheme does not get the benefit of the Government "First Time House Buyers" subsidy.

Now, let us examine the kinds of assistance available to employees of some private companies. There are two main ways that employees are given assistance.

There is assistance that helps to provide the deposit which is required by the building society or bank granting the mortgage bond. This assistance can come in two ways depending on the policy of your employer. It can be a grant of a lump sum of money which is a one-off grant to you. Or it can come as a loan which you have to repay over a period of time. Either way it is a very useful form of assistance because very few people have enough savings to pay for the loan.

The other main form of help given by employers is in the form of a bond guarantee. Here, the company will have an arrangement with a bank or building society which gives their employees a guaranteed mortgage bond. It is possible that this scheme can include a 100 percent loan on the price of the house so that you do not need to find a sum of money for a deposit.

But what about the Government subsidy? As long as your employer merely supplies the deposit by grant or by loan, or has a loan guarantee scheme which requires you to repay the bank or building society at full interest rates you can also qualify for the subsidy.

This is a scheme where the Government will pay an amount equal to one third of the monthly interest repayment on your loan for the first 5 years after you purchase a new house. This money is paid direct to the organisation granting you a loan and in no way affects your ownership of the house.
and labour could mean the building industry in general is in line for the application of the Harmful Business Practices Act, now a Bill before parliament.

Figures show that the average cost of building a home has increased from R566/m² to R685/m² in less than a year. What’s more, the industry is facing further pressure from workers to increase wages.

Manpower, Public Works and Land Affairs Minister Pietie du Plessis says government is “concerned” at the rapidly rising cost of building, particularly in the light of the State President’s call on the private sector to keep cost increases down.

“I am not sure that all cost increases are unavoidable. We are watching them and if excessive price increases are reported, we will go into them.”

The State itself intends to contain building costs by refusing to raise the R40,000 qualifying level for the government mortgage interest rate subsidy for first-time buyers.

Du Plessis points out that the number of people qualifying for the subsidy in the year to March totals over 12,000 — almost as many as in the previous four years. Significant increases in demand for the subsidy were recorded for the first time among blacks, coloureds and Indians, bearing out the fact that the building industry is turning increasingly to these markets.

However, it appears that what government really wants the private sector to do is go even further downmarket — Du Plessis talks specifically of the housing backlog, which exists way below the R40,000 level.

The problem, as usual, is that it is precisely in this sector where private enterprise runs into government red tape which hampers development and further increases costs.

Du Plessis does admit that the response to government’s calls for the private sector to take the lead in housing provision would have been easier if more land had been available before margins came under pressure. He says the problem is being addressed and a total of 157,000 new plots have been surveyed in the past year.

He adds it is difficult to estimate the housing backlog, particularly in the light of rapid increases in urbanisation. However, a data bank has now been established and “in a couple of months” government will be in a better position to assess the actual shortage.

Joe Taylor, MD of the South African Housing Trust (SAHT), estimates 210,000 new homes will have to be provided every year if SA is to house its growing population by the end of the century — a total of approximately 2,5m units.

The PM’s report puts the total figure at 3,4m units at a cost of some R6,9bn a year.

It is true though, as Taylor says, that the focus in home construction must change from the upper income to the lower income, mass-housing market.

While the SAHT has hardly been at the forefront of mass housing provision, at least Taylor is on the right track when he says:

“The time is overdue for taking a penetrating look at both the direct legal costs and the interest charges brought about by cumbersome administrative delays in property transactions.”

“The present system evolved over many years to accommodate the requirements of a highly sophisticated property market centred on individualised, low-volume production.

“The new generation of homebuyers will increasingly be served by production-line methods. It makes little sense to waste the savings achieved by mass production on individualised legal and unnecessary administrative procedures.”

He is essentially suggesting a form of deregulation. Perhaps the government should now actively pursue ways of making life simpler for private developers, rather than threatening them with more regulations.
Revised housing subsidy will benefit lower income buyers

Government's revised subsidy policy for first-time homebuyers was channeling money away from middle income groups to the more needy lower income group and as such was an excellent package, according to Edwin Rode, an independent property market researcher.

Mr. Rode's comments come in the wake of widespread criticism from property developers that the package was a definite move by the Government towards phasing out the four-year subsidy system.

Property developers warned that the new package would ring the death knell for subsidies for middle income homebuyers and would force builders to cut corners to keep the cost of housing down in order to qualify for the subsidy.

Reg von Selms, chairman of the Cape and Western branch of the Institute of Estate Agents, said he foresaw the new system bringing a costly, bureaucratic headache to building societies and government officials whom, he suspects, will be flooded with applications from builders and homebuyers to qualify for the maximum amounts that are to be allowed in exceptional circumstances.

According to the new subsidy scheme, announced in Parliament last week, the present qualifying limit for cost of a dwelling will be increased by R5 000 to R45 000 effective from August 1.

If there were unfavourable conditions on the site, such as steep inclines or poor soil, a further increase of a maximum of R5 000 would be allowed.

An inclusive cost limit for the property — including the dwelling, the plot and expenditure on administration, conveyancers' fees and registry of freehold rights — has been reset at R65 000. In exceptional cases the limit may be increased by a further R10 000.

Definite improvement

Mr. Rode said that the new package was a definite improvement and would channel the subsidies away from middle income groups towards lower income groups which, after all, is a policy like this should do.

"In fact, I believe it is going to be an effective tool to promote housing for lower income groups, even if this is at the expense of middle income groups. This makes a lot of sense from a socio-economic point of view," he said.

The ceiling of R65 000 was more than adequate, he said.

Last week the government revised its housing subsidy scheme, raising the qualifying limit to R45 000 and, in special circumstances, to as high as R65 000. However, property developers fear it could be the first step towards phasing out the subsidy. MAGGIE ROWLEY looks at the problem.

"If the erf costs R22 000, that leaves R43 000 for a home. With building costs of R400 a square metre this means a 100 square metre home, which is a fair size by all means in lower income groups," he said.

The subsidy scheme had gone a long way to keeping the cost of new houses down since its introduction.

While the CSS contract price index for new houses had risen from 100 in the first quarter of 1968 to 119 in the last quarter of 1967, the Haylett index of input costs for builders had risen from 100 to 184.5 during the same period and the BBR Building Cost Index for non-residential building costs had risen from 100 to 143.8.

He said that for white homebuyers to qualify for the subsidies they would have to accept more modest housing standards. "This is not necessarily a bad thing. We have been living beyond our means and most particularly with regard to our houses. There has been an erosion of living standards in the past 15 years, and lower housing and motoring standards will have to come."

"Whites will have to be prepared to have smaller plots and go for core houses, which they can add to at later date," he said.

Mr. von Selms said he believed builders would be forced to cut corners to meet the subsidy requirements and thereby produce an inferior product.

"I think it is going to turn into a bureaucratic headache and a lot of paper work for the building societies and government officials as everyone will be applying for the exceptions. They will be forced to do by the mere fact that R65 000 is not sufficient."

Mr. von Selms said it would appear the new scheme was in line with the Government's general clampdown on expenditure. He estimated that the subsidy applied to about 20 000 homebuyers at present and, on an average of R150 a month each, this would amount to a total of about R138 million a year of taxpayers' money.

He said that the phasing out of the subsidy over a seven-year period, from the third year, would help the homebuyer but not the taxpayer.

Some property developers expressed concern that the new scheme represented an attempt by the Government to phase out the subsidy scheme.

They said it was practically impossible, even in areas for lower income groups, to find a serviced site for less than R20 000 which, under the new scheme, would be necessary in order to qualify for the subsidy.

However, a number of property dealers said they would just have to refocus their attention on alternative markets.

Estate agent John Clark said the R5 000 increase in the cost limit for dwellings, was totally insufficient especially since building costs had soared 100 percent — about 17 percent a year — since the system was first introduced.

The R65 000 limit would hurt white homebuyers in particular, he said.

He said property developers would have to change their focus to lower income groups.

"The price of used houses has now caught up with new houses, and we are seeing a demand for new homes from second and third time homebuyers."
HOME LOANS

Compounding the confusion

Over the years, the alteration in the frequency with which interest rates change has considerably complicated long-term budget projections, as well as the investment decisions of people putting money into property.

When rates were comparatively stable, it was much simpler. Between 1938, when the cost of a mortgage loan was 6%, and June 1961, when it went as high as 7% on certain bonds, rates moved in a narrow band.

In 23 years, they never dipped below 4.5% or climbed above 6.5%.

The following 20 years saw little change, though impetus was gradually upwards. Only in 1981 did change gain sudden momentum, leaving homeowners breathless and groping for pocket calculators.

Rates went from 9%-11% to 9.75%-11.75% (range reflects differences between rates charged on new and existing loans as well as on different size loans in some periods) in January; to 11.25%-13.25% in April; 12.25%-14.25% in August; 13.25%-15.25% in February 1982; and 14.25%-16.25% in July. After contracting to 14%-15.5% in April 1983, they moved to 14%-17.5% in July; 15%-17.5% in August; 15%-18.5% in December; 16%-18% in January 1984; 17%-19% in June; 18%-20% in August; and 18%-23% in April 1985.

Then began a dizzy descent. With liquidity rising and banks determined to break into the home loan market, rates plunged as low as 12.5% by December 1986.

In 1987, after a year during which most loans were granted between 12.5% and 14.5%, they have started moving up again.

Most recent adjustments were made by Standard which last week announced an increase from 12.5% to 14.25%, and United Building Society which this week brought rates for existing clients into line with the 15% charged new borrowers.

So homeowners will either have to make bigger monthly repayments or juggle with present discounted value of the eventual cost of extending the life of the loan.

What is the immediate impact on the homeowner?

For most people, extended to the limit and allocating possibly 25% of income to loan repayments, an increase from the 12.5% charged by many institutions during 1987 to present levels of up to 15%, can make an immediate difference to lifestyle.

Longer term, the rise in interest charges will significantly increase the cost of owning a home.

For the average R55 000 loan granted by four of the five major societies (exception is the Perm with average loan of R38 500) in the year ending March 31, this 2.5 percentage point rise will push monthly repayments on a 20-year loan from R624 to R724.

As a person eligible for a loan of this size is probably earning about R2 500 a month, this represents about 28% of monthly income. Additionally, the interest component on a 20-year loan will rise from just under R95 000 to about R118 800 (comparisons are of statistical value only as the calculations assume uniform rates throughout).

An alternative to higher monthly repayments, of course, is to extend the term.

“Baa,” says Allied’s Geoff Bower, “the effect of this is to increase even more the overall cost of the home as the interest component rises even further.

“If, for instance, the term is extended to 30 years, the borrower will have to make monthly repayments of R695, instead of the R724 charged over 20 years. But interest paid over the term would rise to over R195 000.”

So much for the options of existing owners. The homeowner who has still to buy must weigh up the benefits of alternative avenues of investment.

Though history is not necessarily a guide to the future, it provides certain guidelines. First Persam MD Ken Burgers estimates that over the 15-year period from 1973-
HOUSING SUBSIDIES

Keeping a firm grip

Government's moves this week to limit the cost of a housing package eligible for its first-time buyers' subsidy to R65 000 reinforces the impression that it is determined to keep a firm grip on rising housing standards (Property May 27).

In terms of the new regulations, the actual cost of the house can now be R45 000, instead of the previous R40 000. But the whole unit, including land and services, must not cost more than R65 000, or R75 000 in exceptional cases and at the discretion of the relevant housing minister.

This, government says, is to prevent higher building costs being passed off as land costs, a practice which has for some time been cause for concern.

However, builders have already experienced difficulty in marketing R40 000 houses. And stands are far more expensive in the white market, so the effect will probably be to force them further into the mass black housing market. As it is, blacks are already major recipients of government's first-time buyers' subsidy.

Indeed, another part of the new deal is specifically calculated to ensure "greater participation" in the scheme by people in the lower-income groups.

A special subsidy is to be granted to those taking loans for houses costing less than R20 000.

This will not amount to more than the interest payable on the building loan, but the cost of the stand and other expenditure can be included.

Rob Abrams, SA Perm assistant GM, mortgages, says the number of blacks coming to the bond market has been increasing steadily, but that these moves are likely to cause a sharp rise.

In general though, builders aren't happy with the package, saying it amounts to market interference.

Johan Grotsius, executive director of the National Association of Homebuyers, says: "We're very disappointed. While land for black housing is often available from the State or local authorities at nominal cost and serviced en masse, stands for whites are expensive and can easily push total costs well above R65 000. In fact, potential white homebuyers are now worse off than before."

Terry Power, MD of the Standard Building Society, doesn't agree. He says there are "perfectly acceptable" houses available for R65 000 and points out that first-time buyers are probably going to have to lower their sights if the overall housing backlog is to be overcome.

Another interesting feature of the new deal is that, although the cost of the house may now be R45 000, with an allowance of R5 000 for difficult terrain or soil conditions, the subsidy will still only be on R40 000 of the cost.

This explains the remark of Public Works and Land Affairs Minister Pietie du Plessis last week that the government would not raise the ceiling above R40 000.

The new subsidy package is to be implemented on August 1. It will still cover 33.3% of the mortgage bond interest rate, but, instead of being paid over five years, it will be paid over seven, with a gradual phasing out beginning in the third year.
MMABATIHO — The critical shortage of land for blacks could be alleviated by the creation of small communities on private farms in peri-urban areas, director of the Centre for Policy Studies at the University of the Witwatersrand Prof Lawrence Schlemmer said yesterday.

Schlemmer was addressing delegates at an SA Property Owners’ Association (Sapoa) executive meeting at KwaMarianne in Bophuthatswana.

He said at present a number of white farms already accommodated small groups of blacks illegally, but peacefully, and that other private landowners willing to make marginal profits by allowing controlled squatting could make a meaningful contribution to an area of need.

Further, landowners who could get the consent of neighbours and formulate details of services provided and appropriate rentals should be allowed to apply for licences and become a legal part of the housing market.

Schlemmer said by allowing such initiatives the issue of provision of land for urban and peri-urban blacks could be depoliticised to a certain extent, and would also cause less controversy, resistance and environmental damage than massive new townships.

Director of the Urban Foundation Jan Steyn said urban growth was a process which could not be resisted and was a positive process as urban areas were points of national economic growth and development.

He challenged official thinking that SA’s urban centres were too large and congested, adding that policies should facilitate and encourage continued growth.

Steyn also called for the creation of a single housing ministry and said the private sector should be allowed greater direct participation in the planning and management of housing provision.
‘R18-b not enough to cut backlog’

By Claire Robertson, Pretoria Bureau

Even if South Africa spent R18 billion in the next eight years there was “no way” that the housing backlog could be solved, the Department of Finance chief executive for planning, Mr G P Crooser, told a housing conference in Pretoria yesterday.

This sort of expenditure represented a 17 percent growth rate in real terms, when, at best, South Africa could hope for 3 percent, he said.

“The reality of limited funds available to Government and the private sector for the financing of housing and other social services cannot be over-emphasised,” he said.

Along with other speakers at the Unisa School of Business Leadership’s two-day conference on housing, Mr Crooser said South Africa would have to address new ways of generating growth — proposing, in his case, the more efficient use of capital.

“We will have to address very seriously the way growth is generated and relentlessly weed out the unproductive use of capital and enhance the present level of capital productivity.

“The signs of this disease are only too evident if we look around our central cities, our industrial parks, our shopping malls and our affluent and rather ostentatious upper and middle income group housing developments.”

Satisfy need

“We shall either have to leave the (housing) problem unsolved or satisfy the needs of more people more modestly. The choice as far as I am concerned is simple, for in politics one also tries to satisfy the demand of the largest number of people.”

The reality of the South African situation was that “however regrettable this may be, we simply cannot afford to provide First World standards of housing for our total population”.

“An obvious aspect which deserves more attention is the enormous amount spent by Government on subsidies to people for houses and services they simply cannot afford.”

Subsidies were needed for the very poor, “but one has to be careful that subsidies on the existing housing stock do not in time devour most or all of Government’s allocation to housing”.

“The message that the individual is living in a heavily subsidised house has not sunk in,” he said, detailing the “crazy system” of someone earning R300 a month owning a house worth R15,000 and paying R26,13 a month while the Government subsidy comes to more than R145 a month.
Finrand attracts R6bn investment

Financial correspondent

Since September 1988, 4,241 applications for investment through the financial rand had been approved, amounting to R6.3 billion, Mr Kent Durr, Minister of the Budget and Works, said yesterday.

Addressing a conference on the financing of housing in South Africa, held by the Open Unions School of Business Leadership in Pretoria, Mr Durr said that 956 applications, totalling R2.3 billion, had been turned down.

The bulk of investment through the finrand had been ploughed into industry, which had received R2.8 billion.

Mining had received R64.2 million, or 6.5 percent of total finrand investment.

More than 8 percent of approved applications had been for investment in the commercial property market for a total of R33.8 million. Another 3.2 percent had been in the residential property market for a total of R193.4 million, while 2.9 percent of approved investments, totalling R100.7 million, had gone into farming property.

The remaining R11.1 billion, which represented 18.2 percent of approved applications, had been invested in other sectors, he said.

Mr Durr said that there had been some criticism that the foreign investor in property enjoyed an unfair advantage over the local buyer because of the low exchange rate for the financial rand.

"But it must not be forgotten that when the foreign investor disposes of his South African assets and reconverts the proceeds, the low financial rand works against him, just as much as it worked in his favour when he came in. Where he gains is through the higher yield he earns, but presumably the yield is no higher than is necessary to induce him to make the investment, otherwise the financial rand would not be so low," he said.

Turning to mortgage rates, Mr Durr said that the correct way to help the poorer classes of society to buy their own homes was to subsidise the particular mortgages directly, and not to contrive an artificially low mortgage rate generally for all borrowers.

Wholly or partially tax-free building society shares conferred a special benefit on wealthy shareholders, whose marginal rate of income tax was high. The lower mortgage rate which the tax concession made possible was available to all, irrespective of income, wealth or size of dwelling.

"The large borrowers for luxury homes obviously benefit the most, and this is at a cost of several hundred million of tax revenue forgone. Those most in need are assisted the least by these arrangements."

FUNDAMENTAL

He said there was an even more fundamental reason why official measures to keep the mortgage rate low for everyone failed to achieve their aim, which was affordable housing.

"The basic objection to all forms of direct or indirect state assistance, which result in relatively cheap housing finance, is that the market in due course tends to capitalise this interest rate advantage in the prices of residential property.

"In other words, the artificiality of mortgage rates in the end help to bring about inordinate increases in the prices of houses and residential erven. The attempt to make home ownership more accessible by means of cheap finance therefore tends to be self-defeating in the long run — borrowers tend to lose in the inflated cost of housing what they gain by way of subsidised finance," he said.
House prices show further gains

By Frank Jones

House prices continue to rise and
according to the latest review of
the United Building Society the
average increase during the first
quarter of this year was 13 per-
cent on a year-on-year basis.

The price of a medium-size
house is currently about R64 500
— implying a rise of about 5
percent on the previous quarter.

Larger homes trade at about
R118 000 and the smaller prop-
erties in the R57 000 range.

The price differential between
new and existing houses has risen
further and the comparative cost
of building a new house of more
than 140 sq m will be in excess of
20 percent higher than buying an
existing property of comparable
size.

The Johannesburg region hos-
ted the biggest price rise at 10 per-
cent over the previous quarter
and only Natal recorded a decline
in prices at minus 5 percent.

Unite believes a further one
or two percentage point increase
in prime overdraft is likely during
the rest of this year and mortgage
rates "could be expected to move
in sympathy with the general pat-
tern of interest rates."

"Conditions in the economy in
general and the residential prop-
erty market in particular, have
improved markedly during the
first quarter of this year," says
the review. "Not only did house
prices show some strong ad-
vances but volumes have also
risen considerably.

"The danger of the economy
overheating and thus jeopardis-
ing the country's balance of pay-
ments position now seems very
real and will certainly receive the
attention of the authorities in the
coming months."

Against this background, Unit-
ed expects a further measure of
upward potential for house prices
but the rate of increase could
slow down somewhat towards the
end of this year.

On average, the society be-
lieves that house prices could rise
by some 17 percent this year.
Housing crisis pinned to lack of investment

A crisis of grievous proportions in the rate of fixed investment in South Africa is reflected in the provision of housing.

At a conference on innovative financing in Pretoria last week, property economist Dr Peter Penny said that last year the country spent only R23,903 billion on gross domestic fixed investment (GDFI), compared with R33,757 billion in 1981.

"The GDFI trend is even more disturbing in the light of an increasing depreciation requirement," he said. "By 1987, the percentage of GDFI going to depreciation was 85 percent of the total GDFI figure.

"Thus, only R4 billion was available for new investment. 
"Business & Marketing Intelligence estimates that R500 million was spent last year on black housing, representing 12 percent of net GDFI.

Higher sum

"Without an increase in GDFI, a higher sum can hardly be directed to black housing."

Dr Penny said that when the US faced a similar problem, Congress passed legislation enabling developers to raise the required funds on government-guaranteed negotiable instruments, now known as "Ginnie Mae" certificates.

He urged the South African Government to follow this example.

The US negotiable instrument combined the best features of both mortgages and government loans, offering safety, an attractive yield, cash flow and marketability, he said.

"The US Government National Mortgage Association (GNMA) guarantees timely payment of principal and interest on these securities, which represent pools or packages of mortgages.

"Assuming a wholly owned government corporation is created in South Africa — say the SA Mortgage Association (SAMA) — special-purpose companies can be formed by the private sector to provide loans on SAMA-approved projects.

"On the analogy of Ginnie Mae, these companies would be 'mortgage bankers' who would package mortgages and sell them to SAMA.

"SAMA, in turn, would issue negotiable securities in marketable units." — Sapa.
Financing black housing

PRETORIA — A solution to SA's massive and fast-escalating black housing shortage will be impossible without private sector funding.

This was the theme running through last week's Union School of Business' leadership conference "Finance — the pathway to housing" at the CSIR conference centre.

First National Bank divisional GM J B Mering said that unless a basis could be found for involving the private financial sector a major crisis was in the making. Some 50% of the black population was urbanised and it would grow to 80% by 2020.

About 200 000 units a year would be needed, and if this was added to the current backlog estimated by the CSIR at 700 000 units "we have about 4.7-million housing units needing to be financed in the next 20 years".

The total funding requirement would amount to R94bn. The figure of R20 000 a unit could be reduced in certain circumstances to a bare bones minimum of R6 000, reducing the financial need to R41bn.

SA Homes Trust GM P W Mountford said the non-white housing shortage was estimated at 846 000 units. Projected growth in demand was estimated at 3.65-million family units by 2000.

It was logical, therefore, the state should develop mechanisms to involve the private sector in the provision of affordable houses.
CSIR wants subsidy system changed

By Claire Robertson
Pretoria Bureau

Dr T.J. de Vos of the Council for Scientific and Industrial Research (CSIR) has called for a reduction in general housing subsidies, and for them to be replaced with specific subsidies such as one-off "gifts" of land. Speaking at the close of a two-day housing conference organised by Unisa's School of Business Leadership in Pretoria last week, Dr de Vos said there was "serious ignorance and confusion among the public... on the various forms of housing assistance offered by the State".

"For both economic and social reasons, general subsidies should be reduced," he said, pointing out that 70 percent of all building society mortgages are subsidised, while the State has been responsible for the direct financing of more than a third of new housing in recent years.

In order to meet South Africa's tremendous housing backlog — some estimates put it at 700,000 units — he suggested a once-only grant of serviced land to qualifying households.

"Consideration (should) be given to the precondition that prospective homeowners make some payment... towards the cost of the property.

"The need for the property owner to have a personal commitment to his property is a prerequisite for a sound policy concerning a home-ownership promotion and subsidisation scheme."

Once he had the land, the prospective homeowner "should make his own arrangements for the construction of a dwelling... applying for employee or other subsidies or assistance, or constructing the home on a self-help basis.

This form of subsidy would provide direct assistance, where it was needed, said Dr de Vos.

It was equitable in that households were given stands with comparable services, easier to administer than an interest rate subsidy."
Call to apply VAT
to home construction

By Claire Robertson, Pretoria Bureau

The entire cost of building a private home should be subject to value added tax (VAT), says Mr Willem Cronje of financial management firm Deloitte, Haskins & Sells.

In a paper read on his behalf at the Unisa School of Business Leadership's two-day conference on housing in Pretoria last week, Mr Cronje said that although this would be unpopular politically, a broadly based tax system would enable a low tax rate to be maintained.

Granting tax relief on the construction of homes would benefit the relatively better off, he said, while not giving much to "those with the greatest need for housing."

Low-income home-owners would not benefit much from such relief as their houses, built generally from "sweat equity", fell outside the taxing system.

Under the general sales tax system, construction of homes is exempt from tax as this is a construction service, and only the materials used are taxed.
Important changes in the Sectional Title Act

THE new Act makes specific provision for exclusive use areas, provided that a sectional plan must delineate any exclusive area in the prescribed manner.

When applying for the opening of a sectional title register and the registration of the sectional plan, a developer may impose a condition by which the right to the exclusive use of a part or parts of the common property is conferred upon the owner or owners of one or more of the sections.

The purpose for which these areas will be used must be specified.

The Act also provides that the body corporate may, by unanimous resolution of its members, take steps to establish exclusive use area.

The owner who has the right to an exclusive use area may sell his right, but only to the owner of another section of the building.

NEW SCHEMES

Although a developer still has to apply to his local authority for approval to establish a sectional title scheme, the new Act determines that a local authority no longer can decide whether or not a sectional plan has been prepared in accordance with the Act.

The local authority may require the developer to furnish him with further particulars, information and plans.

TENANTS

The principle is retained that a developer may not make an application, before he has held a meeting of tenants, in cases where the building is wholly or partially let for residential purposes.

The local authority must grant an application if the scheme does not conflict with any operative townplanning scheme and if the building was erected in accordance with any applicable building by-laws.

IMPORTANT changes have been made in the new Sectional Titles Act, which came into force last week. These are reviewed in a series of two articles by Professor HENK DELPORT, head of the Department of Mercantile Law at the University of Port Elizabeth, from a paper prepared for the Institute of Estate Agents.

The developer is the owner of all units in the building on the opening of a sectional title register. He may sell them all or sell some and let others.

If a unit is occupied for residential purposes by a lessee who was in occupation when the developer applied to the local authority for approval the lessee must first be offered the unit.

Only after a refusal by the lessee (to buy the unit or non-acceptance of an offer) may the developer sell the property. A period of 90 days (365 if rent controlled) must be given to the lessee to make up his mind.

If a lessee refused the offer the developer may not sell it for less than he had offered to the lessee within 90 days (365 days if the unit is rent controlled).

With regard to subdivision, consolidation and extension of sections, the owner of two or more sections registered in his name who wishes to consolidate those sections must, with the consent of the trustees, apply to the local authority.

Once approval is given by the local authority, the draft sectional plan of consolidation must be submitted to the Surveyor-General for approval.

If an owner wishes to subdivide his section he must apply to the local authority for approval.

He must obtain written consent of the trustees. To extend his section an owner must obtain the unanimous consent of the body corporate before lodging an application with his local authority.

With regard to phase development, the new Act makes special provision for phase development.

A scheme may now relate to more than one building to be erected on the same piece of land or on more than one piece of land, subject to certain limitations.

A developer may reserve the right to erect and complete from time to time a further building or buildings, a horizontal or a vertical extension.

An approved plan of the future construction must accompany the original application for the registration of the sectional plan.

A right reserved by the original developer may be exercised by him or his successor in title even though they have no further interest in the common property.

SALE

With the sale of a sectional title unit, the essence of the principles of the old Act is retained. Proposed units, that is units in respect of which a sectional title register has not been opened, can thus be sold in respect of buildings which have been built or completed or are still to be built, after February 25 1981.

With the sale of proposed units the provisions of section 26 of the Alienation of Land Act of 1981 still applies.

As far as existing units are concerned the
Questions Under Name of Member

House of Detectors

Tuesday, June 1988

1799
BUSINESS-An aspect of black economic empowerment

HOUSING: More homes and sites planned for blacks.

SOUTHAFRICA: Food riots in the Eastern Cape.

ONE-PARTY STATE WARNINS

BY REGINA KOSSEW

FROM URBAN FOUNDATION

1968 FEBRUARY 26, 1968
Interpretations of human rights highlighted

Land ownership justice call

STATE intervention had resulted in injustices in regard to ownership of land and other economic commodities, former Supreme Court judge and Stellenbosch University law professor Laurie Ackerman said at an economic rights symposium at Pretoria University yesterday.

He said a fairer redistribution could compel SA to revise its concepts of property and property rights.

Ackerman, who recently criticised the SA legal system for "flagrantly breaching human rights", holds the H P Oppenheimer Chair in Human Rights at Stellenbosch.

Delivering the main address, he underlined the conflict between liberal and conservative interpretations of human rights and focused on the concept of property and economic exploitation.

Ackerman said: "The operation of exclusive and disposable property rights leads inevitably to the unequal accumulation of land and working capital."

Conflict

"The process, if left unchecked, leads to escalating inequalities, until eventually when free land runs out, a small number of people get the exclusive right to the bulk of land and working capital."

He emphasised the historical conflict between the first and second tiers of human rights and highlighted the anomaly of liberals equating economic rights with welfare rights while conservatives upheld the rights of entrepreneurs.

To establish common ground between liberals and conservatives, Ackerman propagated a greater emphasis on the protection and extension of human dignity and the development and realisation of human potential.

Taking part in a panel discussion after Ackerman's address, Cosatu information officer Frank Meintjies called for the extension of the concentration of the country's resources from a small number of controllers.

Addressing the controversial proposed amendment to the Labour Relations Bill, Meintjies said the amendment retracted on bargaining conditions in the Bill which were significant steps forward in granting workers' decision-making rights.
House prices up an average 13% in first quarter of 1988

HOUSE prices rose strongly in the first quarter of 1988 to record an average increase of 13% from last year, the United Building Society (UBS) says in its latest quarterly Housing Review.

The UBS expects the upward movement to continue for the rest of the year. On average, house prices should rise by about 17% in 1988.

At the same time, the society foresees the possibility of rises in mortgage rates.

It expects a further one or two percentage point increase in banks' prime overdraft rates and says mortgage rates "could be expected to move in sympathy with the general pattern of interest rates".

Not only did house prices advance significantly in the first quarter, but volumes also increased considerably. This led the UBS to observe the danger of the economy overheating and thus jeopardising the country's balance of payments position seemed very real.

Against that background, house prices should continue to rise but at a slower rate towards the end of the year.

The only region which experienced a decline in house prices compared with the previous quarter was Natal. Johannesburg and the East Rand recorded strong increases, rising by 10% and 7% respectively in three months.

The price of a medium-sized house currently stands at about R4 500, while larger houses can be bought at about R118 000 and smaller houses at R87 000.

The price differential between new and existing houses had increased further and the comparative cost of building a new house of more than 140m² would be more than 20% higher than buying an existing dwelling of comparable size.

The effect of lower interest rates, which prevailed for the whole of last year, is clear from the UBS's analysis of monthly bond repayments. The monthly repayment on a R50 000 bond, repayable over a 20-year period, declined from a high of about R970 in the fourth quarter of 1984 to R600 in the first quarter of last year.

The average repayment on new loans showed very little movement since then, but could be expected to increase to about R690 during the current quarter.
Dodging the issue

Government's decision to "end" rent control sooner rather than later is a bit like the curate's egg — good in parts.

The good news is that the time frame for phasing out rent control — long a controversial issue with landlords — is to be shortened from 10 years to 18 months. The bad news is that some categories of tenant — the aged and the indigent — remain protected.

Rent control will, in fact, remain in force for married tenants with dependants whose gross incomes do not exceed R1250 a month, single tenants without dependants with a gross income not more than R750; and tenants 70 years of age or older.

For all that, managing agents, landlords and the SA Property Owners' Association (Sapoa) have welcomed the announcement by Minister of Local Government and Housing Annie Venter that the phasing out of rent control on 60 000 "dwelling units" is to be speeded up. The time scale has been shortened following a decision not to send questionnaires to affected tenants. Venter says only 30% of the questionnaires relating to the first phase of "decontrol" were returned and the time taken to process all the information led to slower implementation.

Kuper MD Ronni Sevitz predicts the removal of rent control will tend to raise the general level of flat rentals. The extent to which rentals are increased, he says, will depend on when the last increase was, accommodation demand in the area as well as the standard and facilities on offer.

The quicker phasing out of rent control, however, is unlikely to bring residential developers back into the market. Sevitz notes that there is already upward pressure — demand related — on the rental market, but that rentals would have to double to make new residential developments viable.

But tenants, too, may see some initial benefits as increased rental incomes allow owners to improve facilities to attract even higher-paying occupants. Still, high building costs and the sheer scale of many of the renovations should soon reflect themselves in higher rentals.

It is interesting that this final decontrol phase comes after more than 21 years of negotiation between government and Sapoa.

Gert Hugo, Sapoa rent control spokesman, says rent control was one of the major reasons Sapoa was founded. However, despite the time taken to reach an acceptable understanding with government, it would be fair to say that the negotiations failed to actually end rent control.

Landlords are still prevented from increasing rentals on decontrolled dwellings by more than 10% each year for the first two years. And, should the minister decide that a landlord is "exploiting" tenants by increasing rentals excessively, he has the power to reapply rent control on the building in question.

Consequently, the landlords' cynical view is that government's social conscience appears to be active as long as someone else is shouldering the cost. It is concerned about the aged and low-income earners, but, in effect, wants landlords to subsidise them.

As Errol Friedmann, JH Isaacs MD, points out, landlords can only charge market-related rentals on flats not occupied by "affected" tenants. Which ultimately means landlords subsidise the remaining tenants.

"Subsidising the indigent and aged is the government's responsibility. There is no good rationale for landlords to subsidise tenants," he says.

However, in 1984 the Parliamentary Select Committee on Rent Control recommended against government directly subsidising rentals. And landlords have by now accepted limited rent control as the lesser of two evils.

There is no question, however, that efforts to "protect" consumers by interfering with market forces tend to backfire. In London, for example, landlords are now reluctant to let accommodation to individuals and rentals are sky high.

Cecily du Preez, manager of Pam Golding Properties' London office, says this has come about as a result of legislation enacted to protect tenants' rights.

Under current legislation it is extremely difficult for a landlord to prevent a tenant becoming a "sitting tenant." Such tenants have the right to remain in their rented homes for as long as they wish - even for life.

Should the landlord have a serious need to move the tenant, equivalent accommodation must be provided and the tenant can also insist on compensation for the costs involved — often thousands of pounds.

There is also a form of rent control operable in the UK.

However, none of these problems apply to companies or to holiday leases. And as companies are "able" to afford higher rents and short-term leases are often concluded at even higher rates, rentals have climbed, putting many beyond the pockets of all but the well-heeled.

The lesson could well be applied to SA where limited rent control could end up protecting the disadvantaged right out of decent, affordable accommodation.
BLACK HOUSING

Matching the flow

The grave black housing shortage is toughest in the South African Development Trust territories (SADT). Worst off is the Durban-Maritzburg-Pinetown region, according to Education and Development Aid Minister Gerrit Viljoen. At a press briefing in Cape Town last week, Viljoen gave details of housing developments in SADT areas, and noted that the KwaZulu-Natal Planning Council proposal (announced earlier this year) to spend R1,24bn over five years will significantly alleviate the problem.

About 2m people live in the SADT territories — areas acquired by government with the aim of eventual incorporation into homelands. In most cases the homeland authorities have requested Pretoria to develop the areas to a more advanced stage before incorporation. At Lethlabile near Brits and Sotho-nu north of Pretoria, earlier decisions to incorporate areas have been reversed. They will remain part of SA. The trust originally acquired about 6,9m ha for incorporation, and currently administers about 1,4m ha.

Sales

Viljoen said there were 393,000 sites for houses in townships in SADT areas. The trust has built 154,000 houses of which 93,000 have been bought by occupiers in terms of government’s housing sale programme. In the past few months house sales have averaged about 2,500 a month.

Government currently offers low-interest loans of R5,000 to people who want to have houses built or to build their own with material supplied at favourable rates from depots in the SADT townships. So far 14,000 such loans have been approved. Last year nearly R7bn was provided to finance individual loans of R5,000. Additional funds for this project are a high priority.

Viljoen says the SADT’s current main thrust in housing is to provide serviced sites, surveyed sites, or “raw land” on which individuals or the private sector can build houses. In the current financial year R105m has been provided for infrastructure in SADT areas. Deregulation now allows housebuilders to use their houses for business purposes, and this encourages the informal sector. Building regulations have also been relaxed, Viljoen says.

Viljoen says in Durban-Maritzburg-Pinetown there is a “steady influx” of people from KwaZulu into the SADT areas, which have better job opportunities. There are no restrictions on the movement of people into or out of the trust areas.

There is also an influx of people from black urban areas in SA to SADT areas and to the homelands and independent homelands. This is evident from their “abnormally” increasing school populations — probably because they generally have more stability and discipline than schools in SA.
Allied bond rates rise, fuelling upward spiral

Investment Editor

THE Allied announced an across-the-board increase in bond rates yesterday, fuelling another upward spiral in interest rates.

A statement says the rate on traditional bonds will rise by 0.75% to 15.25%. Commercial-bond rates will increase by the same amount — to a best of 16.25%.

The best rate on the Allied Bank Bond will be set at 14.25%.

Rates on fixed-rate bonds will also be lifted. Bonds fixed for a year will go to 16%; for two years to 16.5%; for three years to 17%; for four years to 17.25%; and for five years to 17.5%.

It was only in early May that Allied pushed its bond rate up to 14.5%. Now it is the first of the building societies to go above the 15% mark.

United announced its bond-rate rise to 15% at the end of last month, while Volkskas and Trust are also charging 15%. Most other building societies and major bond providers are lending money at around 14.5%.

Also in early May, Allied was one of the first to lead the pack to higher interest rates, and could be doing the same thing again.
Where did all the business go?

Though the recent rise in funding costs may reduce banks’ eagerness to grant mortgage loans, in the first quarter of 1988 they were still taking big chunks of building society business. Despite the surge in the property market, growth in mortgages granted by building societies in the year to end-March 1988 was down on the previous year.

According to an analysis by Davis Borkum Hare’s Kim Bruce of Industry returns to the Registrar of Banks & Building Societies, advances by the five major societies increased by only 16.9%. This compares unfavourably with an increase of 18.9% in 1986-1987 — a period of record growth in mortgage advances in SA. And it was a little better than the 16.1% experienced in 1985-1986, when mortgage rates were at historic highs and the property market was experiencing one of the worst recessions in years.

The reason, of course, is the 64.1% increase (off a much smaller base) in home loans granted by the five major banks in the same period. With their access to short-term funds, banks were able to take full advantage of that phase in the economic cycle when interest rates were, for the most part, below the rate of inflation. This funding flexibility (which the societies are denied by statute) made it possible for them to offer rates below those available from most societies.

If the R2,75bn of business this aggressive marketing strategy brought in homogeneous to the big five societies instead, it would have spelt growth of more than 39% — assuming they could have absorbed it.

Total loans of the five societies stood at R2,532bn on March 31 after quarterly growth of 2.7%. This compares with the Big Five banks’ quarterly growth of 18.0% to R7.6bn.

Quarter-on-quarter growth in 1987 was 4.1%, 4.5%, 4.9% and 3.9%, compared with quarter-on-quarter growth of bank loans of 4.1%, 5.5%, 19.8% and 10.1%.

United Building Society, which bore the brunt of the banking attack on the mortgage market, has regained some ground, though growth in mortgage advances in the year to end-March remains lacklustre. Total advances rose only 13.3% to R9bn. This was ahead only of Saambou’s 8.1% to R1.8bn and less than Allied’s 21.8% to R3.4bn.

Natal Building Society’s (NBS) 20.2% to R2.6bn and the Perm’s 19.5% to R6.4bn.

However, its performance in the first three months of 1988 improved, with growth of 3.2%, compared with NBS 2.9%, Allied 2.8%, the Perm 2.2% and Saambou 1.6%.

"It will improve even more," says a United spokesman, "as business written in the first three months comes on to the books."

But United has a long way to go to regain lost momentum. In the year to end-March 1986, ahead of its listing that December, it grew mortgages by 22.5%, well ahead of other societies that year — Perm 9.9%, Allied 15.9%, NBS 12.2% and Saambou 12.5%.

These figures, of course, are only part of the picture. They don’t reflect quality of book, losses incurred when properties are repossessed, or profitability.

Nor are they necessarily an indication that societies are losing out to the banks. The rules of the game are rewritten each time interest rates change direction. With cost of funds rising, banks may find their additional business very costly.

The natural advantage will be with the societies. Their longer funding base, which hampers them when interest rates fall, serves them well when rates rise and building society margins should be much more comfortable than the banks’.

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THE BIG FIVE

Building society mortgages (R1m)

<table>
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<tr>
<th></th>
<th>UBS</th>
<th>Perm</th>
<th>Allied</th>
<th>NBS</th>
<th>Saambou</th>
<th>Total</th>
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<tr>
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<td>7 765.3</td>
<td>5 089.2</td>
<td>4 164.7</td>
<td>2 082.4</td>
<td>1 617.0</td>
<td>20 717.8</td>
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<tr>
<td>March ’87</td>
<td>7 860.9</td>
<td>5 387.0</td>
<td>4 413.6</td>
<td>2 167.8</td>
<td>1 660.7</td>
<td>21 560.0</td>
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<tr>
<td>June ’87</td>
<td>8 239.9</td>
<td>5 660.5</td>
<td>4 654.3</td>
<td>2 277.6</td>
<td>1 693.8</td>
<td>22 528.0</td>
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<tr>
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<td>8 493.8</td>
<td>6 025.0</td>
<td>4 979.8</td>
<td>2 420.2</td>
<td>1 701.4</td>
<td>23 620.0</td>
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<tr>
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<td>8 733.8</td>
<td>6 275.1</td>
<td>5 227.0</td>
<td>2 533.6</td>
<td>1 767.5</td>
<td>24 537.0</td>
</tr>
<tr>
<td>March ’88</td>
<td>9 009.8</td>
<td>6 413.7</td>
<td>5 375.9</td>
<td>2 606.5</td>
<td>1 785.2</td>
<td>25 201.1</td>
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Annual growth to March ’88

USS 13.3% Perm 19.5% Allied 21.8% NBS 20.2% Saambou 8.1%

Quarter on Quarter growth to March ’88

USS 2.2% to R8.0bn Perm 2.2% to R6.4bn Allied 2.8% to R4.4bn NBS 2.8% to R2.6bn Saambou 1.6% to R1.8bn

Source: Davis Borkum Hare.
Home-owners likely to foot interest bill

Business Editor

HOME-LOAN rates will come under upward pressure from July 1 when building societies start paying more to attract funds from investors.

Bond rates are now between 14 and 15.5 percent for new borrowers.

Societies will pay an extra one percent on partly tax-free savings and an extra half percent on tax-free savings.

"These increases have to be financed somehow and that usually means bondholders will eventually foot the bill," said a NBS spokesman today.

These increases form part of an overall rise in rates paid on tax-free investments announced by the Minister of Finance, Mr Barend du Plessis.

Higher interest rates are also to be paid on tax-free savings with the Treasury and the Post Office.

The Department of Finance also announced that tax-free indefinite period Treasury bonds would be increased by 6.5 percent to eight percent.

**Fully taxable**

Rates paid on indefinite period defince bonds will rise by one percent to 13 percent on July 15 but these bonds are fully taxable.

Investors were not required to submit their certificates to the Treasury for alteration as this would be done automatically, said the announcement.

The chairman of Boland Bank, Mr Pietman Hugo, says in his annual report today that he expects another increase in interest rates as money market rates begin to rise.

The bank boosted its home loans by 49 percent to R417-million in the 12 months to the end of March.

For more than a year the rates paid to investors were below the country's inflation rate.

But capital market rates have now become positive in real terms for the first time since the end of 1985, he said.
Black housing shortage

HOUSE OF ASSEMBLY — The four provincial governments estimated the shortage of housing for blacks outside the homelands was 702,750 units, Constitutional Development and Planning Minister Chris Heunis said yesterday.

The estimated shortage in the Transvaal was 411,194 units, in the Free State 50,409, in Natal 142,000 and in the Cape 99,147.

Last year 24,169 houses were built by the state, local authorities and the private sector in all four provinces, 16,414 of these provided by the private sector.

Material loans for another 17,391 units were granted and local authorities granted loans for 3,974 self-build housing schemes.

Replying to a question by Peter Soal (PFP Johannesburg North), Heunis said, "The provision of housing is the responsibility of the individual, the employer, the other sectors of the private sector and, by absolute exception, in respect of the underprivileged, that of the authorities."
The government has funded the provision of services in new development to increase the supply of homes and provide more choice for the public. This year, the government is investing in the housing sector to increase the supply of homes and provide more choice for the public. The housing sector is crucial to the economy and the government is committed to ensuring that all families have access to affordable and good-quality housing.

The government has announced a new housing initiative to build 100,000 new homes over the next five years. This initiative is part of the government's commitment to improving the housing sector and providing affordable housing for all families.

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Political Staff

THE four provincial government estimated that the shortage of housing for blacks outside the homelands was 702 750 units, the Minister of Constitutional Development and Planning, Mr. Chris Heunis, said yesterday.

Most of the estimated shortage of housing for blacks — 411 194 — was in the Transvaal.

The estimated shortage in the Cape was 98 147, in Natal 142 000 and in the OFS 50 409.

Last year, 24 169 houses were built by the state, local authorities and the private sector in all four provinces, 16 414 of which were provided by the private sector.

Material loans for another 17 391 units were granted and local authorities granted loans for 3 974 self-build housing schemes.

The Cape Provincial Government did not build any houses, but provided material loans for 13 948 houses, the local authorities built 3 630 houses and the private sector 1 229.
Banks take the lead in bond wars

Increase in Mortgage Advances

For business, banks were once categorized as the competition. There are no other mainstream sources of mortgage loans. Banks have become a major source of mortgage loans, and are now making more of them. This is particularly true for business, where banks are making more of them than they are for residential property. In the past, banks have relied on their own resources to make mortgage loans. Now, banks are using a combination of their own resources and the funds of others to make mortgage loans. This is particularly true for business, where banks are making more of them than they are for residential property.

The focus on the 1988 loan market is expected to pay off for the banks. Banks have made loan commitments to 1988 level or the equivalent of 1988 loan commitments. This is particularly true for business, where banks are making more of them than they are for residential property.

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Home ownership a major deterrent to unrest — UBS

By Sven Forssman

Home ownership by as many people of all race groups as possible is the cornerstone of political and sociological stability in South Africa and is probably the most single important deterrent to unrest, United Building Society chief executive Piet Badenhorst says in the UBS Holdings annual report.

"Building societies for a century or more, have been the main providers of finance in contributing to the realisation of this ideal.

"With their infrastructure, unequalled knowledge and experience in this field geared to meet the enormous challenge, it is of paramount importance that building societies enjoy a fairer share of the nation's savings to meet the huge and growing demand for housing finance.

"To this end it is desirable that there be a better distribution of savings to meet all the important requirements relating to the current and future well being of all South Africans, he it provision for retirement, death, disablement or home ownership. Not one of these important elements should be promoted at the expense of the others."

Mr Badenhorst said UBS, like most other financial institutions, had operated in an extremely difficult and challenging environment.

"Interest rates below the inflation rate, discouraging discretionary savings by the household sector, the relative attractiveness of investments in the products offered by the life assurance, and the aggressive entry by banks into the home mortgage market at competitive rates were some of the factors that made the environment difficult and challenging.

"Other factors compounded the competitive position of UBS. They were:

- "In respect of many of their products, life insurers are operating as deposit-taking institutions without the same prescriptions legislated in respect of building societies;

- "The legislative advantage of banks to accept large volumes of short term deposits which was the cheapest source of funds in the declining interest rates cycle which prevailed during the year under review and;

- "The uncompetitive nature of the long-term funding structure of building societies was made increasingly difficult at a time when the authorities were trying to stimulate domestic economic activity with a negative real interest rate policy."
Saambou builds for blacks

THE Saambou group has entered the housing market for blacks, Indians and coloureds.
Chairman and group MD Hendrik Sloet said the company was involved, through its property subsidiary Saambou Woningen, in projects for the supply of about 1 700 housing units for non-whites.
He expressed concern at the Indian land shortage.
ONE of the best investments a home buyer can make is to pay a few rands extra on the monthly instalment of his home loan. It's as good as earning 15 percent interest tax free.

And it can save tens of thousands on the eventual cost of the house, chopping years off the repayment period.

For example, on a R50 000 mortgage, the normal repayment at the rate of 15 percent is R683 a month for 20 years.

By increasing the repayment by only R10 a month, the home owner will repay the loan in 18 years instead of 20, says the Allied.

**Fluctuate enormously**

The cash saving is difficult to forecast because bond rates could fluctuate enormously.

However, the buyer could save as much as R14 000 as well as owning a bond-free house two years earlier. He will have paid R146 000 instead of R150 000 to buy his house, calculated at current bond rates.

If this home owner boosts his repayment by R20 he will pay off the bond in 17 years, which could bring a saving of R24 000.

**Will be bond-free**

A home owner with a R40 000 bond currently pays R534 a month and in 20 years he will have paid in R120 000 — again assuming bond rates at present levels. But if he pays an extra R10 a month, the house will be bond-free in 18 years and he will have saved about R11 000.

He will save even more if he steps up his repayments by R20 a month to R554. The house will be his in 16 and a half years and his total repayments will amount to about R110 000 — saving him some R18 000.

The saving can be even more startling when bond rates are lowered and home buyers continue to pay in a few rands extra.

A couple of years ago bond rates were around 19,5 percent on a R50 000 bond, which cost R630 a month. But cuts in rates have reduced the repayment by R168 to R683 a month — a drop of 20 percent.

**Pay off**

If the home owner kept his instalment at R630 he would ultimately save tens of thousands and pay off his house in about 15 years instead of 20.

When bond rates rise, it is vital to increase monthly repayments to meet this — otherwise, as some borrowers discovered in the past, they owed more at the end of the year than at the beginning. And paying off...
Standard

ups home
loan rate

Own Correspondent

JOHANNESBURG. — Standard Bank yesterday announced that it would increase its home loan rate to 14.75% from August 1.

The announcement comes days before the bank’s mortgage rates rise to 14.50% from the present 13.50%. The rate on Prestige Plan bondholders will increase by 0.5% to 13.75% from August 1.

Standard Bank’s deputy general manager (home loans), Mr Terry Power, said in a press statement that pressure on the bank’s fund margins had made it necessary to review its current home loan rates.

He reiterated the bank’s commitment not to exceed the average rate charged by the major building societies until the end of the year.

From Standard’s latest increase it would appear that the bank’s mortgage portfolio is not as comfortable as comments earlier this year suggested.

The United, NBS, First National and Trust are now charging 15% while the SA Perm is still at 14.5%.
Housing & Hostels General

July - Dec 1988
The pass laws are two years dead: now the focus is on affordable housing

President P W Botha and his administration are irked that reforms they introduce go unacknowledged. This is very often true. Unfortunately — to placate the Right — such changes are generally accompanied by some negative step which dilutes a lot of potential goodwill. Take influx control.

It was abolished two years ago this week. Even initially this historic step was substantially weakened by the exclusion of the residents of Transkei, Bophuthatswana, Venda and Ciskei (the TBVC states) from the decision to restore SA citizenship to black South Africans. The question of TBVC citizenship remains unresolved, although fears that government would use the Aliens Act against these people have so far fortunately proved unfounded. Transkei’s military leader Major General Bantu Holomisa has recently put the issue back on the public agenda by requesting dual citizenship. Perhaps this issue will now be resolved.

However, the bad publicity it generated at the time served to eclipse the death of the dampas. Of course, for many, both inside the country and abroad, with their black and white view of SA affairs — a question of Hitler vs. the Cosby Family — government can do no good. But there is no question that the demise of the dreaded pass raid has alleviated the daily suffering inflicted on countless blacks.

Geoff Budlender of the Legal Resources Centre: “Until 1986 a large amount of my time was spent assisting people who could not get on with their lives because they didn’t have the required stamp to be in the urban areas. I counselled grown men who cried in my office, and we are not seeing this any more.”

The Black Sash’s Sheena Duncan agrees that the cloud of harassment endured by blacks has diminished. Previously the organisation’s major case load concerned influx control; today the emphasis has shifted to sorting out problems such as incorrect data in the new ID books, work problems involving non-unionised workers such as domestics, and housing issues.

But now government’s good faith is again being questioned with the introduction of the controversial Prevention of Illegal Squatting Amendment Bill.

Critics of the new squatting laws say they are designed to replace the pass laws. When the dampas was abolished it was stated that “ orderly urbanisation” was to take its place and that squatting legislation would become the legal mechanism to enforce this. Yet if these laws are meant to replace influx control, they are doomed to fail.

After all, influx control was abolished mainly because it had become impossible to enforce any longer. Long before its abolition people were moving into the cities and what we are witnessing now is merely a continuation of that process. In fact, fears that the cities would be overrun when influx control was removed have proved largely groundless. Many of those setting up home in the squatter camps are not even new arrivals to the cities but the overflow from overcrowded townships. The Urban Foundation’s Ann Bernstein says we are now witnessing the emergence of what was a hidden population daily gaining confidence.

Rural people are drifting into the belt of squatters that surrounds Durban and into the Cape Peninsula — but not in dramatic numbers. In the PWV there does not seem to be any major influx. The inhabitants of KwaNdebele still endure their long daily bus rides to work, as do those of Winterveld and Bothavelo.

Land for black settlement in the urban areas, however, remains limited. So the decision to tighten up on squattting does seem to substantiate the belief that government still harbours the dream of trying to stem the flow — at least to some extent — of black people to the cities.

However, this legislation is qualitatively different to the pass laws. Squatters’ shacks may indeed be demolished by government — and this is happening in places like Alexandra and Duncan Village where people are being moved to make way for redevelopment schemes. But, as Bernstein points out, government now has the means to kick out of the cities those who’ve evaded.

She notes that the abolition of influx control represented a decisive first step in unlocking the larger debate on a new positive strategy for urbanisation in SA. It has brought into focus other pillars of separate development such as the Group Areas Act, decentralisation and the homelands policy. For this reason she cautions that we should not regard any urbanisation policy as a single event but rather as a process.

This debate at the moment, Bernstein adds, hinges around the question of where urbanisation will be allowed: where in the cities, still governed by the Group Areas Act, and where in the country as a whole, which continues to be manipulated by the homelands policy based on the Land Acts.

Bernstein is concerned that government policy continues to discourage growth in the major metropolitan areas, preferring to push black settlement to fringe areas and decentralisation points — at great cost to the taxpayer. She notes, however, that there have been some rather more positive steps recently. They include the anticipated amendments to the Group Areas Act and some momentum in the identification of land for black settlement within city areas.

Also crucial to the debate, says Bernstein, is the question of what kind of housing will be allowed. The major thrust in black housing at the moment is in middle-class or low-cost housing, rising in price from R10 000. But is it means we can expect more expensive for the majority — the solution lies in allowing the growth of informal settlements.

However, government’s post-influx control housing policy has dovetailed with its attempt to retain the political initiative in the townships. As Stoffel van der Merwe puts it for a revolution you need the agitators and the grievances. The State of Emergency is there partly to remove the “agitators” while government attempts to sort out the grievances with massive upgrading schemes. Much of the development is concentrating on middle-class housing — not, unfortunately, affordable housing for the poor.

The question that arises is: if the major threat of housing in the urban townships is to be for formal dwellings, where are people going to construct informal ones? Will only those who can buy their way into housing be accommodated close to the urban areas?

If this is so it means we can expect more bungled attempts at removals which — in the language of government — will not win any hearts but will rather turn them into wells of bitterness.

This is part of the pattern. On the one hand government is avidly wooing people to participate in urban planning, encouraging them to participate in the forthcoming local authority elections and the tricameral parliament. On the other it introduces new mechanisms that can only be used against those it should regard as potential supporters — the poor and the newly urbanised. It is the poor who really can be brought into “the system” by material benefits, since this is what concerns them most immediately. Another problem is that if it is up to black local authorities to enforce the squatting legislation, for the benefit of an elite which includes them, it will further isolate them from their constituencies.

In the end urbanisation is always messy and any attempts to block it will make it messier. Pretoria seems to have accepted half an equation — black urbanisation while stalling on the requisite measures.

In essence, what is needed is a dynamic approach. The only solution to our housing problem will be the freeing of massive tracts of land with minimal services close to the urban areas for the poor to build what they can afford. We are only beginning to move down that road.
Areas plan ‘can harm economy’

BIFSA executive director Lou Davis appealed to government last night not to rigorously impose group areas through proposed amendments to the existing Act, as this was likely to have "a detrimental effect on the industry and the economy of the country."

Davis cautioned against diligent or excessive "policing" of areas which are not demarcated as open, claiming that the resulting effect on the country as a whole would be enormous if "suddenly a great number of people from other population groups are turfed out of their homes."

"The housing problems won't vanish overnight." — Sapa.

See Page 3
Areas plan 'can harm economy'  

BIFSA executive director Lou Davis appealed to government last night not to rigorously impose group areas through proposed amendments to the existing Act, as this was likely to have "a detrimental affect on the industry and the economy of the country.

Davis cautioned against diligent or excessive "policing" of areas which are not demarcated as open, claiming that the resulting effect on the country as a whole would be enormous if "suddenly a great number of people from other population groups are turfed out of their homes."

"The housing problems won't vanish overnight." — Sapa.
Property market buoyant — Buildcor chief

The property market is very buoyant, with no signs of a downturn, says Buildcor chairman Derick Brindle, in the group’s annual review.

He says the existing major housing shortage, which current estimates put at 800,000 units, could be on the short side if the average number of people occupying a house is reduced in line with an improvement in living standards. On this basis, Mr Brindle believes that the real shortage is very much greater, primarily because people are forced to share existing houses at levels which rise to 18 for each unit.

With these points in mind, Mr Brindle says that there is no reason to revise the projected earnings growth given in the Buildcor prospectus of 40 per cent per annum in the foreseeable future.

“This projection is based on organic growth,” he says.
A few extra rands monthly on a bond can save thousands in the long term

If this home owner boosts his repayment by R20 he will pay off the bond in 17 years, which could mean a saving of R24 000. A home-owner with a R40 000 bond currently pays R534 a month and in 20 years he will have paid R128 000 — again assuming bond rates at present levels. But if he pays an extra R10 a month, the house will be bond-free in 18 years and he will have saved about R11 000.

He will save even more if he steps up his repayments by R20 a month to R554. The house will be his in 16 and a half years and his total repayments will amount to about R110 000 — saving him some R18 000.

When rates rise

A couple of years ago bond rates were around 10.5 percent on a R50 000 bond, which cost R830 a month. But cuts in rates have reduced the repayment by R68 to R62 a month — a drop of 20 percent.

If the home owner kept his instalment at R830 he would ultimately save tens of thousands and pay off his house in about 15 years instead of 20.

When bond rates rise, it is vital to increase monthly repayments to meet this — otherwise, as some borrowers discovered in the past, they owed more at the end of the year than at the beginning.

However, paying off your bond is only worth your while if you do not receive a housing subsidy or allowance from your employer. It has been suggested that about 70 percent of all white homeowners in South Africa receive some kind of subsidy, either from the state or their employers.

In this instance it will be foolish to repay your bond in full as it would result in the loss of the subsidy.
LTA low-cost housing move shakes builders

FRANK JEANS

THE contract price — excluding land — of the average three-bedroom home could soar from the present R60 000 level to about R75 000 this year.

This is the result of an expected 21- to 25-per-cent increase in building costs mainly because of dearer materials and the rising cost of labour.

The price of materials rose by no less than 17 percent in the first quarter of this year compared with the same time in 1987.

LTA's decision to abandon its operation in tendered mass low-cost housing because it was unprofitable has disappointed those involved in the building industry.

The decision was announced by LTA chairman and heir-apparent to the Progressive Federal Party leadership, Dr Zac de Beer, in the company's annual report yesterday.

"Instead," Dr de Beer says, "considerable resources are being devoted to housing development work, which we undertake in partnership with Comat Limited.

"Our building division was the major disappointment of the year under review. While some companies performed well, others made large losses, caused partly by over-keen tendering and partly by unsatisfactory management."

Reacting to the LTA decision last night, people in the building industry expressed disappointment.

Executive director of the National Association of Homebuilders, Mr Johan Grotius, said: "We are obviously disappointed at LTA's decision in the light of the backlog of housing needs for lower-income groups. But it reaffirms the risk factors are high for those involved in building and contracting in this sphere and the need for government assistance in cushioning the effects."

"Low-cost housing is expensive to provide and a huge vacuum in the housing industry was left after the shift from rented low-cost government housing to an emphasis on home ownership — there is now a tremendous housing backlog," he said.

Mr Frank Berkley, Managing Director of Gough Cooper Homes (Pty) Ltd, said he did not understand why low-cost housing had resulted in a loss for LTA.

He said Gough Cooper's Goldstein division which dealt with tenders in the housing industry was not involved in LTA activities and had not suffered a loss.

"We believe the private sector must be involved in low-cost housing. More government subsidies — and we have so much already — distorts the market. It is possible to solve this market and be innovative in making it profitable," he said.

Mr Rob Crockett, the managing director of Sage Schachat, said: "It seems a sensible decision to me. We have always been involved in the development side of housing. In the area of black housing there is a limit to how low we can go in terms of the money-lending institutions. We haven't submitted tenders for mass low-cost housing. However, this decision will not influence us as we will continue to tender for low-cost housing."
GROUP MD: Colin Wood of LTA.

In that market, it's vital to have a move away from the large-scale operations. The situation here has been a move away from traditional building operations to more recent, smaller-scale operations. This is where the market is heading.

Other large-scale projects, such as Black Housing Projects, are part of the current trend. The government has been encouraging the private sector to step up and provide more affordable housing options. This has been a significant push in recent years to address the housing shortage.

FRANK LEANS

Low-cost Housing Sector — Wood

Slim margins defeated LTA in the Durban market.
Major surge in townhouse construction

The increasing tempo of construction work throughout the country is reflected in the latest figures from the Central Statistical Service of Pretoria, which show that the total value of work on hand in January this year rose by 30.7 percent over the same month last year — R2.6 billion to R3.5 billion.

There are clear indications, too, that the pace is not lessening, certainly so far as building is concerned. The combined value of building plans passed for May this year jumped by 57 percent over the fifth month of 1987 (R339 million from R192 million).

The big plus factor occurred in the flats and townhouses market which showed a massive 231 percent rise, with dwelling houses hoisting a 60 percent increase.

The additions and alterations market is also booming with a 35 percent increase.

Non-residential building activity recorded a 45 percent rise.

The contract price index of buildings rose by 4.1 percent in the first quarter of this year as against the same time in 1987, says the CSS.

Of the 11 regions, seven had annual rises of more than 14 percent, with the Johannesburg, Sandton and Randburg areas, tops of the league at 23.5 percent.

The type of building which shows the largest quarterly increase is housing schemes, with a jump of 64 percent.

The Johannesburg building scene is also looking good, with the latest figures from the City Planning Department showing the value of work begun during June at R37.4 million compared with R21.3 million previously.
First steps: sell the land to the people.
Housing ‘needs savings’

SAVINGS in the hands of the life assurers should be channelled into much-needed housing, SA Perm top management said at the building society’s annual meeting yesterday.

Perm chairman Alistair Macmillan said in his chairman’s address: “Mechanisms must be found to channel some of the household savings held by the life offices into housing.”

All the major building societies agree life assurers’ share of the nation’s savings is too large compared with that of the societies.

Macmillan also called for “the playing fields, in which the various sectors of the financial-services industry play, to be levelled. Otherwise, it is nonsense of talk of an open market”.

Saambou’s Hendrik Sloet said yesterday he agreed with Macmillan. “Since life assurers are becoming deposit-taking institutions, they should be subjected to the same regulations as banks and societies.”

Macmillan said savings available to the building-society industry had been all but eroded because of inflation and taxation. “The result is that the home-loan industry is now relying substantially on volatile and unreliable corporate savings and the individual saver has tended to seek the inflation and tax protected havens offered by the life companies.”

Only a small band of enthusiasts were really conscious of the enormity of the housing backlog. Until the turn of the century, the country needed to build new houses at the rate of 250 000 per annum, of which the private sector would have to supply about 100 000 a year. Last year, the private sector built only 30 000 new houses — “a deficit of 70 000”.

Finance needed every year from the private sector to meet the country’s housing needs amounted to about R1.7bn annually at current prices. “Yet the entire building society movement probably advanced less than R1bn against this need in the last financial year and the banks have granted a negligible amount for new housing.”

Housing ‘needs boost from life savings’
Govt 'is compounding plight of the homeless'

Homelessness is arguably the most serious problem in South Africa, says the Black Sash, yet the Government is proposing to make even more people homeless by evicting them from farms or for being in the "wrong" group areas.

The group says this is the likely effect of the Prevention of Illegal Squatting Amendment Bill, the Group Areas Amendment Bill and the Shums Bill, all of which could become law by the end of August.

All the Bills provide for the removal of people from their homes without regard to the availability of alternative accommodation.

In a special pamphlet, the Black Sash says the measures have certain

other things in common:

- They make homelessness a crime.
- They punish the condition of being homeless with penalties more suited to crimes of violence.
- They remove judicial consideration of justice and human rights and substitute the opinions of functionaries and a compulsion on judicial officers to make orders.

All this is about to become law in a situation where "one out of six South Africans is without proper shelter or is living 'illegally'."

The Black Sash says the new measures will result in more human suffering and chaos.

"Laws such as these bring law in disrespect," the group concludes.
MILLIONS of homeless people in the rural areas and cities will be affected even more drastically if three Bills presently before Parliament become law, legal experts and organisations monitoring homelessness have warned.

The Bills provide for amendments to the Prevention of Illegal Squatting Act, the Shums Act and the Group Areas Act. They will be tabled in August.

Attorney, Mr Geoff Budlender, of the Legal Resources Centre, said in his analysis that proposed legislation on illegal squatting placed the onus on the squatter to prove his innocence and that the courts were obliged to order the eviction of the person concerned and the demolition of structures he had built.

The court has a discretion in this regard in terms of existing laws.

Penalties

The penalties for contravention would be sharply increased, Mr Budlender said.

The Bill proposes penalties amounting to R2000 or 12 months imprisonment. The fine for continuing to commit the offence has been doubled to R20 or 14 days' jail for every day on which the offence is committed.

Landowners or lessees who permit the erection or occupation of unauthorised structure on their premises can be sentenced to fines of up to R10000 or five years' jail.

Mr Budlender said punishment, eviction and demolition orders will not be suspended by an appeal to the Supreme Court.

"The success of an appeal to the Supreme Court will thus be largely theoretical as the
'Building industries would boom'

Tax rebates for housing punted

By AUDREY D'ANGELO
Financial Editor

TAX rebates of 200% on expenditure incurred in providing housing for employees would have a "mind-boggling" economic impact, city businessman Philip Krawitz said at the annual dinner of the University of Cape Town Graduate School of Business Association last night.

Apart from providing badly-needed housing, which was the key to sociological stability, "there would be an enormous fill-up in the field of job creation. All the industries associated with home-building materials would boom".

"In time to come, all these new homes, and the income generated in their creation, would provide purchasing power for consumer durables such as furniture and appliances. Certainly, such a step could be the key to a 5% growth rate, placing little demand on our balance of payments as most of the materials and labour are local."

The suggestion was one of several Krawitz made to help improve SA's situation.

He said this was not hopeless, in spite of double-digit inflation, the state of emergency, rising unemployment, world hostility and the need to restrict the growth rate to below 3% in order to maintain a balance of payments surplus.

SA still had strengths. The chief of this was "the immense, untapped fund of goodwill, prevalent amongst millions of our fellow citizens who simply want to live side by side without taking up arms".

Since those holding power must take the first step, Krawitz suggested the government should:
- Remove the Group Areas Act "and every remaining statute which offends the dignity of man and divides our peoples";
- Abolish preconditions and petty posturing and sit down round a very large table with a blank sheet of paper;
- Convince those present that, while many hurdles have still to be jumped, no-one should quit the race as long as the finish line remains in sight.

Discussing the need to redistribute as well as create wealth if capitalism is not to give way to socialism, Krawitz said: "With 5.5m black people currently unemployed and a need to provide 1,000 homes every day between now and the year 2,000, the free-enterprise system could hardly wish for a better opportunity to prove itself."
Progress stifled by red tape

Clogg says the company has a strong order book at present, and should give a good account of itself in the immediate future. For the first time since 1989 its turnover is outpacing inflation. "This, coupled with the more sensible margins we are getting, should mean a considerable improvement in earnings in real terms."

The company has a firm policy of not taking on more work than can be efficiently handled at any one time, despite the temptation to chase additional turnover now that margins have improved.

"Over-extending oneself is not clever if standards are allowed to suffer, and we are very jealous of our reputation for quality work. While we would never turn down work from our regulars, other possibilities are very carefully considered," he says.

The building scene in the Witwatersrand is currently very active. Group Five Building-Combrink, for example, claims to be highly involved with several major contracts and a number of planned developments to be announced soon. In the Johannesburg CBD the company is well ahead on its R52m contract for the construction of Project 1065 — a 20-storey office development for SA Mutual Properties. The company is also busy on phases three and four of Southern Life Gardens — a R16m office development at Sandown. Combrink completed the earlier phases two years ago at a cost of just over R8m. It is also involved in the construction of a supermarket and office development at Hurlingham being carried out in conjunction with Nexus Projects at a cost of about R17m.

Group Five Building-Ste&nson has just been awarded a contract worth R38.8m to build Natal Newspapers' new centralised headquarters building in Stamford Hill Road, Durban, and has a wide spread of work in Natal. In Port Elizabeth, the company is constructing the new R25.8m Regional Post Office building, while Group Five Building (East Cape) is handling the contract for the new R7.5m fire station there, and a contract for extensions and improvements at St Alban's Prison.

In the Cape, R.H. Morris has just completed work on the R17m NBS/Waldorf building in St George's Street, Cape Town, and is working on the R16m Cape Archives contract on the historic Roeland Street goal site. At the Peninsula Technikon the company has an R11m contract for student amenities and a recreation centre, a R5m contract for the new science block at the University of the Western Cape, and a R5m contract at the University of Cape Town.

The road building section of the company recently won contracts worth R157m in a single day in May, including two contracts on the new N3 toll route and one for the construction of the Wriggleswade Dam near Stutterheim. Although this section is looking healthy at the moment, Clogg says there is talk of a cutback next year on roads expenditure.

He feels the civil engineering scene is rather flat, but CMGM-Transvaal has some large contracts on hand including R60m worth of work for Gencor on their new Karee Mine, and SAB's new brewery at Pinetown.

CMGM Natal is the main civils contractor on Eskom's R35m Majuba Power Station being built near Amersfoort.

After a fairly quiet period Group Five Projects recently picked up some contracts as a result of the Mossel Bay development, as well as work in Natal and Transkei.
Yours for just 25c a month:
a state house

By CARMEL RICKARD,
Durban

Determined that all National Housing Commission houses must be sold off, the state has announced monthly loan repayments of 25 cents for the very poor.

This week's Natal Provincial Administration announcement to that effect means even a poverty income should not prevent people in townships administered by the NPA from buying the houses in which they live.

This follows approval by the ministers responsible for housing of a new formula for the sale of properties financed by the NHC.

According to the formula, people who want to buy their houses but whose monthly income is R50 or less will pay 25 cents a month over 30 years in loan repayments.

For those with an income of between R51 and R100 the repayments will be 94 cents a month. The repayments increase with income, and for those earning R800 a month and more, there is no subsidy.

However, all the scheduled monthly repayments exclude service charges. This means prospective home buyers will have to budget for water, electricity, sewage and refuse removal — where these services are offered — in addition to the loan repayment.

Officials at the NPA said it was impossible to give an estimate of the service charge as it varied from one township to another.

The NPA also said where the purchaser could not afford a deposit this could be paid over two years. In some cases it may even be waived.

An official of the NPA said the formula applied to anyone living in National Housing Commission houses in any province.
Bristol Industries manages only nominal pre-tax increase

By Ann Crotty

Bristol Industries, the property holding company, achieved only a nominal eight percent increase in pre-tax income to R532 000 (R492 000) for the year to end-February 1988.

The results, which were released almost five months after the close of the financial period, show taxed income up just 6.9 percent to R279 000 (R261 000). This was due to a marginal increase in the tax rate from 47 percent to 47.5 percent.

Performance was greatly enhanced by a 68 percent surge in contribution from associated companies to R155 000 (R92 000) and also a R416 000 (R257 000) surplus on the disposal of investments.

But this was transferred to non-distributable reserves which left earnings per share at 2.72c which was just 0.7 percent up on the previous year’s 2.55c. An unchanged one cent dividend has been declared. If attributable income of associated companies is included earnings per share rise to 4.23c which is 23 percent up on 1987’s figure of 3.44c.
Financial clout needed to solve housing crisis

By Frank Jeans

The financial institutions will have to bring their financial clout into play if South Africa's housing programme is to succeed, says Mr Mike Rosholt, chairman of Barlow Rand.

Addressing the speech by chairman Mr Alistair MacMillan at the annual meeting of the Perm in Johannesburg yesterday, Mr Rosholt said this would have to be done through the introduction of innovative, negotiable investment instruments pitched at attractive market-related rates of return.

In particular, these will have to be targeted at those major financial institutions, the life companies and pension funds which are currently attracting the bulk of personal savings, said Mr Rosholt.

The failure to mobilise plentiful amounts of home loan finance is seen as the key obstacle in the housing process, particularly in relation to loans of R10,000 and less.

The Barlow Rand chairman believes that with the higher risk and administrative costs involved, the reluctance of home-loan institutions to grant loans below that figure is understandable.

"This, however, is where the greatest need lies," he says, "and solutions, based on sound market-related rates and normal commercial and business principles must be found.

"It is clear that if we are to come anywhere near meeting the overall housing requirement, it will be necessary for the full resources of the private loan institutions, building societies and banks to be totally involved."

Mr Rosholt backs the basic principle of the Government confining itself to housing those who are clearly unable to acquire any shelter whatever and for the private sector to provide affordable housing for those able to finance it and with the Government's role, in this instance, restricted to providing finance and subsidies.

Acknowledging the Government's recognition of the land availability problem in the housing scene and its "determination to act", the Barlow Rand chairman sees this as an encouraging attitude towards an issue which remains critical.

Perm chairman, Mr MacMillan, asked in his address: "While a small band is really conscious of the enormity of the housing backlog, are the rest of us really aware of what the shortfall means both in unit and monetary terms and in human misery terms?"

Pointing out that 1,000 houses will have to be built every working day or 250,000 a year to the new century, Mr MacMillan said this represented an annual outlay, at current prices, of more than R3 billion.

"The portion of that market which one could expect the private sector to address has an estimated value of R1.7 billion and yet the entire building society movement probably advanced less than R1 billion against this need in the past financial year."

"And the banks have granted a negligible amount for new housing."
R1,4-billion earmarked for housing

FRANK JEANS

The Government was stepping up spending on low-cost housing and over the next two years the South African Housing Trust would inject R1,4 billion into the homes business, Minister of Economic Affairs and Technology Mr. Dave Steyn said this week.

Mr. Steyn was addressing the Portland Cement Institute at a function at the institute's Halfway House head office.

"The Government has budgeted about R222 million for housing this financial year," he said.

"In addition, the trust has approved facilities for about R620 million, a sum which will provide more than 56 000 homes."

The sale of homes in black urban areas in the Transvaal continues to gather momentum.

A total of 1 254 houses were sold to registered tenants during June.
Best to let black housing take its own course

SOUTH AFRICA is changing so rapidly — for good and ill — that it becomes difficult to preserve a framework of assumptions on which to judge events. Or, to put it colloquially, this place is crazy.

Here is a paradox: the political rhetoric from the black township is now overwhelmingly of dreary socialist cliches, offered at precisely the moment in history when socialism is failing worldwide, while the reality of the townships is a bustling urbanism and a soaring entrepreneurial spirit.

Everybody knows about the taverners, the shebeen keepers, whose importance to the liquor trade makes them respected customers, courted by suppliers. Everybody knows, too, that the taxi-owners have the muscle to bargain for fleet sales, and for bulk fuel supplies.

But it goes beyond this. Every day brings to light the evidence that a breed of urban black man and woman, shrewd and tough and ambitious, is beginning to take hold of the economy. The retreat of apartheid, with its destructive bureaucrats and its restrictive regulations, is opening new gaps by the day.

Nobody measures the informal economy (three per cent of GDP, I like to call it) but some economists say it may account for 30%-40% of our economic output. Indeed, excess of the driving energy웃 enterprises into what the British, untroubled by the double meaning, call the “black” economy. Anybody who has hired a bricklayer for cash knows what I mean.

In any event, the informal sector offers the only visible explanation — or partial explanation — of one of the puzzles of current political debate: where are the millions of utterly poor people who stand at the centre of that debate?

Before the entire welfare lobby goes into hysterics, let me say that I don’t doubt the existence of grueling poverty in South Africa, especially in the drought-stricken rural areas. I know that TB is an index of endemic and growing poverty in some classes of people, and that diseases like kwashiorkor and gastro-enteritis are deadly indicators of deprivation.

I know the Eastern Cape has been crushed by unemployment, and that young matriculants, lacking work, hang around in dangerous gangs. I know, too, that lack of housing creates intolerable conditions of crowding and stress. And I have been inspecting shanty settlements for 30 years.

Still, invisible poverty does not, in its extent or its depth, seem to me to match the political rhetoric that inflates our national debate. (To sum up poverty by proxy is, of course, proof of moral superiority: I don’t knock it, but I do question the proportions.)

At least, let us say, there exists another reality: the custom of the minibus and of the taxi -bus; the purchasers of houses who put down R3 000 in cash deposits, the families who can afford (as they could not 25 years ago) to keep children at school for 12 years; the bustling middle-class women, high heels and mock leather skirts; who crowd the shops of Johannesburg.

We are dealing not only with racial oppression, though that is part of it, but with a three-way class split in the black community: the new entrepreneurs, the unionized workers, and the impoverished unemployed or under-employed.

It may, therefore, be time to consider differentiated policies to deal with the different classes. The welfare statism demanded by utter deprivation is like to be wholly inappropriate for a unionized working class, and downright destructive towards the entrepreneurial class.

Three things seem to me to be self-evident about the coming decade:

Firstly, the population of the cities will double, from natural growth and from migration, and the authorities will overwhelm all their facilities.

Secondly, there is no possibility at all that government will “provide” — even if it tries — the 400 000 houses a year that will be needed until the end of the century.

Private enterprise is now building, perhaps, 25 000 houses a year. If black people do not house themselves, they will end up homeless.

Thirdly, government cannot, by any policies known to man, create enough work for the new urban multitudes who, if they do not create work for themselves, will remain unemployed.

Even socialist remedies, which would require huge disruption of economic patterns, would be at best as inadequate as Robbhe’s or Tanzania’s, and at worst as brutal as Stalin’s. Even socialist states must accumulate capital, and they often do so by brutal methods.

For a successful capitalist government, the best course of action is not to try to build houses or create jobs, but to devise policies that exploit the huge natural resources of human creativity and resourcefulness.

To break down a home which any person has built for himself and his family, no matter how humble, has always seemed to me to be an intolerable wickedness. For some years I have advocated if registration of the names of all officials who have been guilty of that practice, so that, sooner or later, they might be brought to trial for crimes against humanity.

However, there is now a much more practical reason to stop the demolition of homes: if we continue, the new urban horde will take up residence under bridges, on golf courses, in cement pipes, on construction sites and at sidewalks.

We shall turn our cities into Calcuttas.

The best housing policy is simply to identify land for squatters, to help them settle and to encourage them to upgrade their homes over time. Nothing else will work.

Similarly, it is futile to think in terms of “providing jobs”. The best government can do is to stop “preventing jobs”. Except for some essential health regulations, a bit of zoning, and strict enforcement of laws against mugging, theft and other common law offences, the sensible course of action is, more or less, to let it happen.

After all, this great surge of urbanization — not government policy, not even the patronizing goodwill of the whites — is the force that is changing South Africa, and smashing apartheid.

So far as I know, only a few organizations are thinking seriously along these lines — the Institute of Race Relations, the Urban Foundation and Small Business Development Corporation, and some private groups.

It would be nice if our academic sociologists put aside their obsession with the accumulation of capital, and stopped trying to teach economics, and tried instead to describe the real South Africa. If, instead of asking inane questions (“Would you support sanctions if they cost you your job?”), they told us who, among the busting millions, is doing what, and why, they might help to break the South African deadlock.

Anyway, it would spare us some of the ritual condemnation of apartheid, which is nothing most of us do in safety and comfort, and it might just show us how to encourage the forces of change instead of hampering them.
By ANTHONY JOHNSON
Political Correspondent

ONE in six South Africans is homeless, according to former Black Sash president Mrs Joyce Harris.

Writing in the latest edition of the Sash magazine, Mrs Harris says the Group Areas Act, the Land Acts and the Black Communities Development Act are responsible for the "crisis of homelessness" in rural and urban areas across the country.

"These laws zone land racially, they control who may live where, and they apportion approximately 13% of the land to about 80% of the people.

"All this has had — and is still having — dire consequences for millions of dispossessed people."

Mrs Harris said recent Black Sash reports from all regions "painted a picture of dispossession, alienation, overcrowding, people with nowhere to go and nowhere to live even though they may be employed and earning a living."

Turning to the situation in the Western Cape, Mrs Harris described Cape Town as a "city in crisis."

"The black population in the Cape Metropolitan Area will have grown from 133,000 in 1970 to an estimated 1,370,330 in 2,000.

Desperate poverty

 "It is estimated that by 1990, 400,000 workseekers will lack formal employment and be unemployed or supporting themselves in the informal sector.

 "The poverty is already desperate. Five out of seven coloured tenants are in arrears," she writes.

 In the Transvaal, there is a "massive shortage" of houses and land.

 "Only about 25% of Africans would be able to make any contribution to housing costs, yet the government is unwilling to build low-cost housing.

 "There is a stubborn resistance in the white councils even to acknowledge the existence of many black homeless people, let alone do anything constructive about this crisis."

 In the Port Elizabeth area, 215,538 people are living in shacks in a "constant state of fear of demolition" because there are no alternative sites as a result of the Land Acts and the Group Areas Act.

 "Major housing projects and incentives favour the middle-income group and the government is not addressing the housing problem of the poor."

 The Border area, with a housing shortage of 340,000 units, was marked by "acute poverty and people having to choose between food and shelter because they cannot afford both."

 Natural disasters have also contributed to the problem, particularly in Natal where floods devastated the homes of about 500,000 people.

 "Political conflict in this province also contributed to homelessness through the destruction of township houses," Mrs Harris notes.
Gap in housing figures

RESEARCHERS are taking a government department to task over housing figures for blacks. They claim official statistics badly underestimate private sector efforts to provide housing in this sector.

Central Statistical Service's figures on new homes for blacks financed by the private sector have, according to the Bureau for Economic Research, been grossly understated.

CSS reported that 9 000 new units for blacks were last year financed by private institutions. The BER counters that in one area alone this figure is almost three times the official number.

BER says new houses in Khayelitsha, on the Cape Flats, last year, financed by SA Perm and First National Bank, totalled more than 35 000.

BER research director Erwin Rode says he has taken the CSS to task.
Home loans lift Stanbic profits

BOOYED by strong demand for home loans, the Standard Bank Investment Corporation (Stanbic) increased taxed profits by 17.2% to R107.9m in the first six months of this year.

Stanbic MD Conrad Strauss ascribed the profit growth to strong demand for credit as the economic upswing took off, coupled with the Standard's aggressive positioning in the home-loans market.

Income attributable to ordinary and preferred ordinary shareholders was 18c a share, up 17.4% on the comparable period last year. An interim dividend of 27c per ordinary share has been declared.

On the consolidated balance sheet, advances and other accounts surged by more than 30%, with home loans accounting for almost a third of the growth. Strauss said if home loans were excluded, lending rose by only 14.5%.

There had been pressure on margins, and Strauss acknowledged that Stan-

Stanbic profits boosted by home loans

Apart from home loans, significant demand for credit was also experienced in the form of personal loans. However, credit demand from the corporate sector had remained flat.

Total assets, including off-balance-sheet items, rose by 24.1% in the half-year.

The surge in lending in the first half of the year would not continue until the end of the year, Strauss said. Policy measures to cool down the economy would curtail the demand for credit. Monetary policy was already tighter and he expected another package of fiscal policy measures to be announced to complement interest rate policy.
Resources on Wrong Lap

Housing: new effort

SAPOA CONFERENCE
More blacks buying houses

Finance Staff

South Africa's current boom in black housing construction is even more dramatic than has been portrayed by government statistics, the Bureau for Economic Research at Stellenbosch University disclosed yesterday.

Real Estate Surveys Research Director and co-author of the BEER report Erwin Rodot, says the reason is probably because data from many of the newly created black local authorities has gone unreported.

It could be speculated, he said, that those black houses which were being reported were the better and bigger ones, while the smaller ones were falling into the unreported category.

For example, the SA Perm and First National Bank alone had financed more than 25 000 new units for blacks at Khayelitsha in 1987, he said, while the official figure stands at only about 9 000 units.
‘Don’t link housing to jobs’

Employers should provide housing subsidies for black workers, but they should not insist that these workers forfeit their houses if they lose their job.

This appeal was made by Mr. Taffy Adler of the Labour and Economic Research Centre in an address to the South African Property Owners’ Association conference in Durban yesterday.

Mr. Adler said most black workers could not afford homes. He suggested that employers might create a fund to which they and the employee would contribute.

This fund would be managed by bosses and workers and the money made available for housing.

When a worker left the company he should be entitled to take back his contributions if the money had not been invested in a housing scheme.

Mr. Adler said that threats to black workers had previously been in the form of influx controls.

"Threats to tenure are now in the form of housing tied to employment. If you lose your job, you lose your house."
Homeless 'can wait no longer'

DURBAN. — Clashes between trade unions and black local authorities are inevitable as the country’s labour groups increasingly make greater use of their muscle to lobby for South Africa’s millions of homeless.

Mr Taffy Adler of the Labour and Economic Research Centre told delegates at the SA Property Owners’ Association’s national convention in Durban that the estimated five million homeless were no longer prepared to wait quietly and were making their presence felt either by squatting or protesting through organizations such as trade unions and various housing bodies such as the Durban Housing Action Committee and the Witwatersrand Network.

"Given their recent performance in relation to the amendments to the Labour Relations Bill it is probable that the unions stand a better chance than most of persuading the government to allow housing finance to be placed on the schedule of prescribed assets of the Pension Funds Act."

Mr Adler said the control on land by black local councils had created numerous problems.

© See Page 10
R750m to build 36 000 homes for blacks in '87

Bruce Anderson

Behind

The researcher, Erwin Rode, said he did not believe that the CSS figure of 7 200 houses built by the private sector was an accurate reflection of the situation. His opinion was also expressed by a number of other researchers in the black housing field, contacted by Business Day.

"CSS head Treurnicht Du Toit did point out that the CSS figure was based only on sample figures, which cover 80% of the construction market. The CSS is two years behind on the full annual report which it compiles on the construction industry, and the department is forced to rely on sample figures, said Du Toit.

"Nonetheless, he thought the sample figures were a relatively accurate reflection of the number of houses built by the private sector.

Du Toit said there is a definite growth in the provision of black housing based on a comparison between the number of houses built by the private sector in the first five months of last year (2 409) and those built in the first five months of this year (3 444).

However, BMI researcher Johan Strauss reports that almost half the R750m invested in black housing by the public and private sector last year is not reaching the people who most desperately need homes.

He said 40% of the money invested in black housing in 1987 was spent on houses costing more than R40 000, while only 25% was spent on houses costing less than R15 000.

The most urgent need lies in the under R10 000 category, said Strauss.

Underwritten

The research conducted by BMI was underwritten by a R150 000 sponsorship from manufacturers of building materials and was based on contact with all the larger local authorities, major building companies, financial institutions and suppliers of building materials.

Strauss suggested the provision of serviced sites that allows for "formalised squating" might be the most effective way of addressing the backlog in mass housing.

The most recent official figure for the number of black houses built by the public and private sector in the 1987-88 financial year is about 35 600, according to the director of townships development in the Department of Development Planning, M P Van Niekerk.

A figure of 24 169, given in March by Constitutional Development and Planning Minister Chris Heunis, related to the 1986-7 financial year, said Van Niekerk.

The official estimate for last year is borne out by BMI's figure of 35 577 houses built.

The urban Foundation's (UF) estimate puts the 1987 figure at between 25 000 and 30 000.

However, UF housing manager Michael Morkel said the estimate was made in March this year, and that the higher figures suggested by the Department of Development Planning and BMI did not seem accurate.

Morkel also points out that the production of houses by the public sector "has dropped significantly, and public sector figures are hard to find."

Accordingly, most research in situations tend to focus on figures for the amount of houses supplied by the private sector, he said.

Morckel's point about the growing emphasis by research institutions on private sector figures was repeated by most researchers.

The larger construction firms in the black housing market appear to be concentrating on relatively up-market houses.

In July, LTA chairman Zach de Beer said there was little room for private sector involvement in mass housing and that construction companies held only operate profitably in the more up-market areas.

Brisk demand

LTA spokesman Collis Wood said De Beer's comments still reflected the company's approach. LTA had built 500 houses for black people last year.

Murray and Roberts (M&R) are also involved in the provision of up-market black houses, most recently in Alexandra township near Soweto.

The firm reports a brisk demand for houses in a R40m housing development at East Bank, Alexandra, where about 511 houses are to be built. The project is a joint venture by M&R and Rabie Property Development, part of the JSE-bound Rabie Investment Holdings.

M&R said earlier this year that house sales had been boosted by first-time buyers, subsidies and legislation granting freestile rights to blacks. Prices in the project range from R40 000 to R60 000.
Govt spending on blacks falls

DIRECT government spending on black facilities and services is slowing down and Regional Services Councils are unlikely to make much impact on township backlogs, according to the South African Institute of Race Relations.

Events earlier this year indicated that the previous trend of growing government spending on black facilities and services was slowing down, the Institute said in the latest Social and Economic Update, released yesterday.

"There has been a reduction in bridging finance and community services funds voted by the provinces in the housing budget of the Department of Development Planning, in operational budgets for many black hospitals, in monies allocated to the National Housing Fund for black housing and in funds for teacher training.

"A possible constraint on funding is that more spending on black needs means less spending on white needs."
Scrap new housing Bills, say bishops

The Southern African Catholic Bishops' Conference has called on the Government to scrap three pieces of legislation controlling the erection of shelters and the racial allocation of land and housing.

The Transvaal Indian Congress simultaneously announced its intention to fight the laws.

The three Bills — the Prevention of Illegal Squatting Amendment Bill, the Group Areas Amendment Bill and the Slums Bill — were published at the end of the last sitting of Parliament.

HOMELESS

The statement notes that one in six South Africans is homeless or living in an illegal shelter.

"Admittedly, it is a reflection of a worldwide trend towards rapid urbanisation. But the South African situation is also due to the Government's own insufficient provision of low-cost housing," the SACC/SACBC states.

"Now, in addition, these three Bills threaten the poor and the homeless with further misery and make their misery a crime."

REMOVALS

The bishops say that:

- The Squatting Bill "reintroduces the State's power to remove any group, tribe or black person from any area to another area."

- The Group Areas Bill provides for enforcement of racial housing restrictions and eviction of people, despite the absence of alternative accommodation.
Strong foundation laid

By NORMAN CHANDLER

The provision of housing in South Africa is a significant socio-economic development, say Mr Harry Oppenheimer and Dr Anton Rupert.

Two of South Africa's top businessmen say the provision of housing is more than merely providing shelter — it is stimulating the socio-economic development of the country.

Mr Harry Oppenheimer, president of the Urban Foundation and retired chairman of the Anglo American Corporation, says work done by the foundation has resulted in State departments, local authorities, the business sector and urban communities recognising that the "provision of housing is not only a national priority but a significant socio-economic development".

Dr Anton Rupert, vice-president of the Urban Foundation and chairman of the Rembrandt Group, says "spin-offs for socio-economic development that accrue from this housing activity" offer significant opportunities for lower-income communities.

Writing in the foundation's annual review, the two business leaders say house-building has had the advantage of generating "much needed job opportunities (and) having a positive impact on unemployment".

Mr Oppenheimer says the extent to which the foundation has so far been able to provide housing reflects a series of achievements over a number of years.

"The efforts, together with other public and private-sector bodies, have led to a modifying of housing policy and legislation that has resulted in a complete restructuring of the framework within which housing is provided.

New emphasis

"Previously, the emphasis was on the centralised public sector providing highly subsidised rental accommodation for a limited number of black families. The new emphasis," says Mr Oppenheimer, "is to decentralise the public sector's involvement and rely instead on the initiative of the private sector, on the basis of an economically viable housing industry, to supply housing on a basis of ownership."

He adds there is "real and encouraging" evidence that the private sector is gaining momentum in providing homes for many black families.

But, Mr Oppenheimer says, many families cannot afford housing "and much remains to be done to help the private-sector home-building industry to provide more affordable, conventional houses."

"A major concern is to stimulate increased lending by the financial institutions in the lower end of the housing market."

Dr Rupert says in his message that the Urban Foundation has stimulated significant additional investments in housing by the private sector, but there needs to be a sixfold increase in housing if the country's needs are to be met by the year 2000.

The Urban Foundation's seven utility companies — operating in Cape Town, on the Rand, in Port Elizabeth, Durban, Bloemfontein and Maritzburg — generated housing and site sales of R125 million, and additional housing investment generated by the home-building industry developing housing sites serviced by the foundation amounted to a further R150 million, Dr Rupert says.

The foundation's self-help housing projects are creating opportunities for the informal contracting industry, he adds.

Hundreds of thousands of people working in office blocks and factories are forced to go home not to neat houses in formal townships but to corrugated-iron or wooden shacks, such as these near Durban.
Blacks lag badly on home bonds

A PILOT small-loans company is to be established by the Urban Foundation.

It adds in its annual review for 1988 that main impediments to large-scale black home-ownership are the unavailability of finance for low-income borrowers and lack of land.

During the past year a major feasibility study into the setting up of a mechanism for granting small loans was completed.

It showed that in 1985/86 only 3.1% of building society lending for homes went to blacks.

Another research project, investigating the subsidy system, was initiated.

The foundation believes government should subsidise supply and not demand.

Its recommendations have been submitted to the Department of Finance and Housing Advisory Council and, with government examining its subsidy policy, the foundation says it is optimistic.

It hopes to release its research and recommendations on the lack of land for housing next year. — Sapa.
ITH the abolition of influx control in 1986, the government conceded that at least some blacks would be permanent urban dwellers in 'white South Africa'.

And the government's courting of certain squatter settlements in recent years shows some recognition that all these urban dwellers simply cannot be accommodated in formal housing in the official black township.

But the Prevention of Illegal Squatting Amendment Bill, currently before a standing committee of parliament, is an indication that the government remains ambivalent about black urbanisation.

In its present form, the bill is designed to outlaw squatters who have occupied land without title to it, but it is open to interpretation.

The bill extends the prohibitions of the original 1936 Act to include those for illegal squatting and effectively removing actions against squatters from the courts.

In the past, the onus was on the state to prove that people were squatting illegally; now the bill would shift the onus on squatters to prove that they had permission to reside in that area. Magistrates would have the power to grant evictions or demolitions orders, in response to complaints against squatters, and the bill removes any objective criteria on which such an action would be based.

On the other hand, the bill provides for the official 'eviction' of informal housing.
If the Bill goes through, huge evictions could happen

By Carmel Richard, Durban News. Evictions have been predicted if proposed changes to the Housing Act are made. Durban Legal Resources Centre lawyer Peter Barlow has been working with the legal problems of squatters, and he anticipates a "sweeping out" with large scale evictions, particularly in underserviced areas.

However, he believes the Bill would affect people in both the rural and urban areas. It is expected to have a "massive effect" in which people "wonder where to go to find a place where they can put their feet down, especially in the towns.

People made homeless by the law will have to come to the country and back in the urban areas, when they are told to go back to the countryside. In order to stay against squatters, they are told to go back to the countryside to live.

The Bill also provides for the demolition of certain structures, as well as for squatters themselves. The section that affects squatters is that which says, "In the rural areas, people are being told that they are homeless because they are homeless, when in fact they are not homeless because of state policy.

But the Black Sash says that "it is quite clear that both the estimates of the likely future population and the land released for occupation are greatly inadequate." Little has been done to address the current housing backlog and 40 percent of the newly allocated land has been used for development because of the danger of sequestration.

The newly expropriated land is also unlikely to be available for new squatter settlements. Local authorities or developers have to apply to the Department of Housing to develop the land. Developers are likely to make a profit in mind and to build new houses for relatively higher-yielding black market authorities that have resorted to the idea of making provision for "live-and-service" schemes for poor black people, and there could be resistance from the local authorities.

But the issue goes deeper than that. Given the massive scale of the housing shortage and the rapid rate of urbanization, some more "unconventional" forms of housing will be an essential part of addressing housing needs.

One way of meeting the urban policy crisis is to urbanize, meaning that urban policies will have to be adapted to the city, to the multi-racial character of the city, and to the needs of the people who live in it. Inadequate housing and low standards of living will be an important factor in the formation of these poor black communities that cannot afford the lowest cost conventional houses.

Attempts to destroy squating have failed in the face of the massive scale of the squatting problem. But they have created a massive scale of the squatting problem. It means that the law against squating has been made."but in the case of squating," the law has been made.

The Urban Foundation estimates the housing shortage at 3.8 million units countrywide, and the number of people living in "white South Africa" as well as the shortage in "independent" and "non-independent" homesteads from the South African Development Bank figures.

If the Bill goes through, people will have to leave their homes by the year 2000 to meet the national housing targets, according to the UP.

The private sector will build an estimated 353,000 houses for black people in urban areas this year. Most of the 353,000 houses in the year 2000, according to the UP, will be concentrated in "white South Africa." The shortage means 400,000 units a year will have to be provided to up to 2000 to meet the national housing targets, according to the UP.

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BY NORMAN CHANDLER

Employers urged to assist

Workers

W E N U R T E N C E

"Hope"
QUANTUM

Housing drive

Activities: Development of industrial and commercial land primarily in black areas, civil engineering and project management.

Chairman: D Meyer; managing director: SA Gordon.

Capital structure: 43,3m orts of 1c each.
Market capitalisation: R34,6m.

Share market: Price: 80c. Yields: 6,3% on dividend; 16,8% on earnings; PE ratio: 6.
Cover: 2,7. 12-month high, 200c; low, 70c.
Trading volume last quarter, 1,8m shares.

Financial: Year to March 31.

Debt:
- Short-term (Rm).......................... 7,3
- Long-term (Rm).......................... 5,9
- Debt/equity ratio.......................... 1,08
- Shareholders' interest...................... 0,27
- Int & leasing cover........................ 5,78
- Debt cover................................ 0,57

Performance:
- Return on cap (%).......................... 16
- Turnover index 1987 = 100.................. 292
- Pre-tax profit (Rm).......................... 8
- Taxed profit (Rm)........................... 4,4
- Earnings (c)................................ 13,4
- Dividends (c)................................ 6
- Net worth (c)................................. 36,2

A movement from the DCM to the JSE main board is on the cards for Quantum, which is now one of the larger members of the nursery, following vigorous growth in the first year since its listing in June 1978. MD Stuart Gordon confirms that the company is moving towards a transfer, although an application has not yet been made.

Although the performance has been good, its track record is short. Operating profit in the year to end-March was 183% above the pro forma figure for the previous 15-month period and 66% above forecast; attributable income was 245% and 70% higher and EPS 173% and 65% higher. Turnover, shown as an index, was 192% higher.

The debt/equity ratio was a source of concern at 1,06, high even for this kind of company.

Quantum is active in the black housing market, from which it drew more than half its income last year. Its other divisions — property development, project management and civil engineering — are also primarily in black developing areas and integrate well operationally. This may seem like staking all on one market, but a slowdown in black housing at least seems unlikely. An estimated 2m houses must be built in this market in the next two decades. Gordon says the market is competitive but is also big enough for everyone and hence margins should be maintained.

Until now, Quantum has specialised in higher-margin, lower-income black housing — largely individual units subsidised by employers. Gordon says further growth lies in the middle-income group, so Quantum is shifting. Again, this market must be employer-subsidised. Gordon says subsidised housing is in its infancy, but political and union pressure are prompting rapid expansion.

This year, Quantum expects to double the number of houses (900) it built last year; other divisions are also growing strongly. Roadstorm, which specialises in installing infrastructure for black residential stands, was acquired in February and extends Quantum's services in black areas. Roadstorm results were consolidated as of July 1987. In the nine-month period, it earned R430 000 on a turnover of R15,3m, which emphasises the low margins in civil engineering. Quantum intends eventually to list Roadstorm.

After rapidly reaching a relatively high base, Quantum is likely to grow at a slower rate this year. Issued shares have been increased 12% since the listing, making EPS growth more difficult. A share bonus scheme offered in place of the maiden dividend, to conserve working capital and ameliorate minimum tax on companies, was accepted by holders of two-thirds of the issued shares (the directors, who hold about 54%, all opted for shares).

The group appears to have bright prospects and the only apparent reason for the share trading close to its 12-month low is its high gearing. Although the p/e of six times is not far below the construction sector's 7,8 average, the counter could be rerated when it moves out of the nursery.

Teigue Payne
Urbanisation is opportunity, not threat, says Durr

By Norman Chandler
People living in informal settlements should be allowed to stay where they are, says Mr Kent Durr, Minister of the Budget and of Works in the House of Assembly.

One of the Government's top experts on housing, Mr Durr believes that "if we want to build a free society, we must extend property rights".

He said that urbanisation was not a threat to South Africa, but a great opportunity — and informal settlers had a real role to play in the whole scenario.

In an interview with The Star, the Minister also said:
- There was room for innovation by the Government and local authorities on the question of informal settlements.
- Opportunities must be created for people "to live informally but with security of tenure".
- Too many local authorities showed "a lot of ignorance" and did not have the same attitude towards the housing problem as did the Government.
- Regional housing committees were a way to overcoming local housing problems.

Mr Durr, former chairman of a building society, said the question of informal settling was one of the most important problems for South Africa in terms of housing provision.

"Not everybody settling informally or squatting in urban areas, sometimes far from places of work, necessarily did so because..."

To Page 3, Col 1
Housing up after row hots}

Following a Portland City Council meeting, the issue of housing for colonists in the East Long Beach area was discussed. The councilors were concerned about the high prices of housing and the need to address the housing shortage. The ELCAC advised residents not to apply for bonds and to accept repairs, but the councilors suggested that the houses could be repaired and that the cost should be shared. The councilors also discussed the need for more affordable housing options.

On Wednesday, August 2, 1988, a public meeting was held to discuss the housing issue. The councilors were joined by community leaders and residents, who expressed their concerns about the high cost of housing and the need for more affordable options. The councilors agreed to further investigate the issue and to work with community leaders to find solutions.

At the end of the meeting, Mr. Curry challenged his colleagues to spell out the cost and to accept the people's suggestions. Mr. Curry's attitude will be given at his next meeting.
Homes for all a Garantuan challenge

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New homes rise on once barren soil

By Norman Chandler

An attempt to improve the lot of the informal settler — squatters — as well as anyone else inadequately housed, is under way under the auspices of the Urban Foundation, the SA Housing Trust and private enterprise throughout the country.

Striking examples are in the Motherwell area of Port Elizabeth, once a barren farm, which has been turned into a black housing estate on which there are homes that would not be out of place anywhere.

There are a few drawbacks. Electricity, for instance, is still being introduced to some areas — two magnificent Cape Dutch-style homes are already occupied in the area's so-called Nob Hill, but electricity to those and to many others is still on the way.

The Ibhayi City Council, which administers the area, has in the meanwhile installed the lamp standard-type of electric light.

But whatever the drawbacks, it is infinitely better than living in the Soweto-by-the-sea slum that residents cannot escape from, as this huge slum area around a salt pan is in view from their front doors.

As in many other areas, land has been virtually given away to would-be residents.

Market prices for homes built in the area, and its surrounding “neighbourhood units” (there are nine in all) start at about R40,000, but property experts believe prices will escalate when more land becomes available.

But as fast as one wants to house squatters, the quicker new ones arrive.

Many black urban areas have found that a system of controlled squatting is one way to solve this problem.

Squatters are allowed to enter a “controlled area” and are charged R27,11 a month as an initial payment (R24 for the rent and R3,11 for administration costs). They are allowed to take title on the 99-year leasehold scheme.

The authority supplies electricity (initially a lamp system to cover the whole controlled squatter township) and other up-grading services.

Many have taken advantage of the “controlled area” idea — some sites have been used for self-help or conventional building schemes.

See Page 11.
Houses cost more to build than to buy

JOHANNESBURG — It costs 22% more to build a medium-size house today than to buy an existing dwelling, says the UBS in its latest Housing Review.

It states: “This substantial price differential between new and existing housing can be attributed to the combined effect of sharply rising building costs and an oversupply of existing housing in white residential areas.

“Building costs are increasing by an estimated 10% on a year-on-year basis in the first quarter and by 17% in the second quarter of this year.”

The UBS went on to say: “During the second quarter the increase in house prices was only 11% on a year-on-year basis compared with a 13% increase in the first.

“A medium-sized house can currently be acquired for R85 000. The price of larger dwellings has remained stable at R118 000 but the price of smaller houses has increased by 13% to R70 000.”

The best increase in the country was recorded in the Western Cape where prices escalated by 11% and 9% on a quarter on quarter basis.

In Natal and the East Rand prices increased by 5%. — Sapa
EVICTION
THREAT

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EDUCATION

The Minister of Education and
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The Minister of Labour and
Social Security,

The Minister of Finance and
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The Minister of Finance and
Public Works,
The Minister of Foreign Affairs

Wednesday 24 August 1999

I refer to the letter of 13 January 1999 from the Director General of Education and Development referred to in the September 1998 decision of the Government to provide additional funding to the Department of Education and Development.

I understand that this decision was taken in response to the recommendations of the Joint Education and Development Commission. In my view, the decision is timely and necessary to ensure the continued progress of education and development in the country.

I am pleased to announce that the Ministry of Foreign Affairs will provide an additional $10 million to support the implementation of this decision. This funding will be used to support the development of new curricula, the construction of new schools, and the recruitment of additional teachers.

I believe that this investment in education and development is a necessary step towards achieving the goals of our national development strategy. I am confident that with the support of this additional funding, we will be able to make significant progress in the near future.

I would like to take this opportunity to extend my thanks to the Minister of Education and Development for his tireless efforts in promoting the cause of education and development in our country. I am sure that with his leadership, we will be able to achieve great success in the years to come.

Yours sincerely,

[Signature]

The Minister of Foreign Affairs
**Market flattens**

The rise in mortgage bond interest rates and the consequent fall-off in demand for housing is reflected in the fact that house prices rose only 1% in the quarter to end-June, compared with 3% in the first quarter.

And, although prices were, on average, 11% above those in the second quarter of 1987, they were down on the 13% first-quarter increase over 1987 prices.

What's more, according to the UBS Quarterly Housing Review, house prices are now only expected to rise in tandem with inflation, estimated at 13% for the next 12 months. During the last quarter of 1987 and the first quarter of this year, economists were predicting that they'd rise 17% this year.

The Review points out that the Reserve Bank raised its rediscoun rate by 1% both in May and July and that by mid-year the prime overdraft rate had increased from 12.5% at the end of last year to 16%. This does not augur well for the bond rate. Maintains the Review: "Since the mortgage bond rate has remained at an average 15%, some upward change must be expected in the near future."

This, it says, will have the effect of causing potential new homeowners to reconsider their investment decisions carefully and, in all likelihood, activity in the residential property market will experience a further decline.

Another negative factor is that, while an existing medium-sized house (141 m² 220 m²) can be bought for around R85 000, it would cost R100 000 to build a new one of the same size. This can be attributed to the combined effect of an oversupply of housing in the white market and sharply rising building costs, which rose 10% (y/y) in the first quarter and 17% in the second.

The review says the relative cost of acquiring a home is rising after a decrease in real terms from 1985-1987. The major reason for the turnaround is the rise in bond rates and house prices over the last year. The house price-remuneration ratio, which gives an indication of the relative cost of private housing, has also started to rise again after being on a decreasing trend since 1983.

The graph shows the average monthly repayment on new loans, based on an 80% bond of 20 years' duration at the prevailing bond rate deflated by the CPI. The house price-remuneration ratio is the index of the average price for medium-sized houses divided by the index of remuneration per worker in the non-agricultural sectors.
Historically, retail development has followed demand for space as retailers chased market share in the belief that biggest was best.

However, as Philip Chilton-Jones, group development manager for Edgars, points out, trading densities that were previously considered acceptable are now found to be nowhere near international norms. Retailers have begun to make use of the "cube" rather than the "square" and found that "market share is not related to size as much as presentation, merchandising, assortment ranging, customer servicing and promotions."

And, he says, not only have turnovers been maintained in less space — and at much lower rentals — they have actually increased as they responded to the new trends in store fixtureing and presentation grows.

What this should mean to property developers is that the pace of development should slow. Further brakes should be applied as they increasingly realise that food and similar purchases are "grudge" buys, taking time which could be used for other activities. As a result, electronic retailing and increased mechanisation are making their mark.

Also, there is a growing trend towards speciality stores — small shops of 500 m² or less which amplify a specific product range and present it in intensively merchandised outlets. Time for this kind of buying is not begrudged.

Retail space is still growing at a faster rate than the market requires. Figures from Retail Information Management Systems show that between 1975-1985, growth in the retail infrastructure accelerated to 4.2%/year, while consumer spending grew only 2.3%/year. Space productivity levels declined by an average 1.5%/year in this period.

That being so, it is probably time to call a halt to large new retail developments, especially as consumer spending is likely to undergo a further fall-off as interest rates continue to rise.

Meanwhile, building costs and rentals continue their upward spiral. Chilton-Jones says rentals approaching R63/m²-R75/m² may seem all very well now, but with escalations ranging around 10%-12% and a rapidly thinning slice of the cake, these levels are unlikely to be sustainable for long.

It seems developers have taken much of this to heart — witness Coreprop's inability to find a major financier for its new regional centre at Chatsworth (Property July 15).

However, they have not yet turned their full attention to the black market — which has achieved consistently high rentals from small outlets. Of course, to enter this market, developers would need to make fairly extensive capital investments in areas of relatively high risk — something which they aren't keen to do.

What they are doing is continuing to plan for massive growth in black residential areas and anticipating that regional centres and hyperstores will become as successful there as in white suburbia.

Wouldn't it be better to look at opportunities in the free trade and free settlement areas — which would really help open the country's central business districts to all?
The Minister of Agriculture and Food

The Ministry of Agriculture and Food is responsible for the development and promotion of agriculture in the province. It ensures the efficient and sustainable management of agricultural resources, supports the growth of the agricultural sector, and promotes the well-being of farmers and their communities.

The Ministry of Agriculture and Food is also responsible for the development and implementation of policies and programs related to food security, rural development, and the promotion of sustainable agricultural practices.

The Ministry of Agriculture and Food works closely with other government departments and agencies, as well as with farmers, farm organizations, and other stakeholders to achieve its goals.

The Ministry of Agriculture and Food is committed to ensuring that agriculture continues to be a vibrant and dynamic sector in the province, contributing to economic growth and social well-being.
Housing: The Group Areas Bottom Line
in which the proposed legislation would not only inhibit what is referred to as "positive urbanisation", but significantly reverse this process.

Any legislation which is going to have an impact on urbanisation should take into account several characteristics at the very heart of how to urbanise "positively", say the Upru experts.

They advise that legislation seek to promote these bottom-line characteristics:

- Maximum generation of urban opportunity;
- Facilitation of the provision of shelter;
- Promotion of security of tenure;
- Enhancement of investor confidence;
- Maintenance and the ability of different parts of the city to reinforce each other.

"Currently, the physical development of our cities is based on an ethic of separation," says Professor Dewar. His eye for urban analysis breaks it down: separation of residential areas from work and commercial areas; separation of high income groups from low income groups; separation of different races and cultures from each other.

"The result is cities which are made up of independent pockets of development and fragmentation of different land uses and types of development."

This type of city massively increases the cost of living for its inhabitants, a factor felt often most severely by movement and alienation will all increase as a result of legislation which seeks to underpin city development with the ethics of separation, division and dilution.

Considering the second fundamental consideration, the provision of shelter, Professor Dewar says: "If the government is in any way concerned with the welfare of its people, a central priority must be the facilitation of the provision of shelter on the largest possible scale. (In Cape Town alone, the present estimated housing shortage is between 83,000 and 162,000 units)."

"In our opinion, the bills being considered will do exactly the opposite and will directly result in an exacerbation of the housing crisis."

Now, evicting hundreds of families from their homes and sending them back to their "own" areas will greatly increase the pressure on already grossly overcrowded areas, says Professor Dewar.

This movement will also have the effect of increasing the cost of accommodation, of increasing exploitation of those who are desperate and of inflating the price of houses in the townships.

Private sector investment by way of renting will be discouraged and due to various changes in zoning procedures envisaged in the legislation, land for urban use will be made available at a much slower rate than before.

Creating the positive urban environment of the future is also im-
Nomads with nowhere to go

NO PLACE LIKE HOME...

By MZIKAYISE EDOM

The survey conducted by the Transvaal branch of the Black Sash revealed that 832,000 houses are presently needed to house about five million homeless people in the country’s black townships, outside of the homelands. The survey was conducted by the Transvaal branch of the Black Sash.

The survey also revealed that 200,000 new houses are needed annually in order to eliminate the acute housing backlog in South Africa’s urban areas, a survey conducted by three organisations has revealed.

The organisations said despite the fact that the Government has made available 3,900 hectares of land in the Pretoria-Witwatersrand-Vereeniging area for the building of about 38,500 houses, this was not enough.

Another 26,000 hectares of land is needed in the area to overcome the problem of housing, the organisations said.

The organisations said there were 1.3 million squatters in South Africa (excluding the homelands), of which about 650,000 were in the Transvaal.

In another survey conducted by the Black Sash in its own, it was discovered that 105,791 new houses were needed in Ciskei, Transkei, Venda and Bophuthatswana.

The shortage in the non-independent homelands was between 149,700 and 174,978. In Indian and coloured areas the shortage was 44,000 and 57,000, the Black Sash said.

The Black Sash said the Government was proposing to increase punishment of people for being homeless.

The Bill dealing with the enforcement of group areas was discussed in Parliament last week.

Voted

The House of Representatives voted unanimously not to consider any legislation during the session and the House of Delegates adjourned debate on the Government’s trilogy of group areas Bills even though the Government tried to turn down the legislation at the last moment.

The House of Representatives adjourned in September 12.

Labour Party leader, the Rev Allan Hendricks, said the decision by the House of Representatives to withdraw from the sitting was caused by its anger at the refusal of the Government to give way to the Group Areas Act.

He also challenged the Blue President, Mr. P.W. Botha, to hold a referendum, either of the whole of South Africa or of each individual community, to see whether there was any majority support for group areas.

The House of Delegates voted to postpone the controversial group areas legislation until the 1999 session.

In terms of the constitution, Mr. Botha cannot refer Bills to the President’s Council unless they have been dealt with by all three Houses. However, Section 35 of the constitution empowers him to set a deadline for the consideration of the Bills in any House that there must be 14 days’ notice of the deadline.

The Black Sash was that the three new Bills (Prevention of Illegal Squatting Amendment Bill, Group Areas Amendment Bill and the Shares Bill) have certain things in common.

“They make homelessness a crime. They punish the condition of being homeless, and they create more suited to crimes of violence and they remove judicial consideration of justice and human rights,” the Black Sash said.

Political comment on this issue by Agneta Kinsaat and Joe Thobane. Sub-editing, headlines and posters by Sydney Matshuku. All of 61 Commander Road, Industria West, Johannesburg.

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Foundation offers govt ‘housing strategy’

BY BARRY STREEK

The Urban Foundation and the wider private sector had made an offer to the government to provide their expertise and resources to develop a positive informal housing strategy — if the government squatters proposals were reconsidered, the foundation managing director, Mr Sam van Collier, said at the weekend.

Detailed written and oral submissions were made “four or five weeks ago” to the Parliamentary Standing Committee handling the Prevention of Illegal Squatting Amendment Bill.

The foundation did not believe the bill would achieve its objectives until a positive informal housing policy had been developed and implemented.

Publicly disclosed

“The offer still stands,” Mr Van Collier said at a press briefing.

Its proposals for a new informal housing policy — supported by FCI Assocom, Naacec, Chamber of Mines, SA Institute of Civil Engineers, SA Institute of Architects and the National Association of Home Builders — are to be publicly disclosed for the first time today.

Mr Van Collier said the private sector urged that both the bill and the 1951 Prevention of Illegal Squatting Act should be reconsidered and “in the event of reconsideration the Urban Foundation and the wider private sector have offered their expertise and resources”.

Once the bill became law, the legal process “will be inexcusable”, “It will be arbitrary because there are no criteria laid down in the bill.”

However, Mr Van Collier said, we will continue to interact with the government until we have found the right route.

There were also positive provisions in the bill and provision for “designated areas” was one positive aspect.

“These are the opportunities to build on,” Mr Van Collier said.

Though no direct response to the offer was given, the Foundation “certainly received a positive response to its proposals” when it gave evidence to the Standing Committee.

The foundation had not disclosed its proposals for informal housing policy until now in the interests of correct procedures, but reference had been made in Parliament to its proposals and it felt it necessary to make public its full set of proposals “as that any discussion of these is seen in the proper context”, “The Urban Foundation is concerned that the release of this information should not be misconstrued.

“We are sensitive to the current political difficulties being experienced and believe that the UF’s submissions should be seen as being totally separate from those difficulties.”

The foundation believes the matter should be approached from a developmental point of view and that “there is a positive approach that can be adopted to the extremely difficult issues surrounding squatting and informal settlements”.

Its director of urban development, Ms Anne Bernstein, said the government’s policy should emphasize that the preservation and upgrading was a national priority.

“The central government should instruct all provincial and local authorities to halt any planned demolition of shelter unless there is suitable alternate land which is well located for employment and is acceptable to the communities concerned.

Land invasion

“One of the motivations of the bill is to prevent informal settlers from occupying urban land contrary to existing land use plans.

“We share this concern. But if the bill is implemented, land invasion in all South Africa’s metropolitan areas will increase and large-scale settlements in unauthorized places will develop,” Ms Bernstein said.

“Policy-makers have an important choice to make: The Prevention of Illegal Squatting Act or an Informal Housing Act. The choice will determine South Africa’s future.”
Vital choice faces the state

The San Diego Union-Tribune

August 29, 1998

Finding a solution to the problem of poverty in San Diego means finding a way out of the cycle of generational poverty. Over 120,000 San Diegans live in poverty, and the current system of social services is in danger of failing to be effective in reducing the number of people living in poverty by 2010. The problem is complex and requires a comprehensive approach to address the root causes of poverty. While some may argue that poverty is simply a lack of motivation, the reality is that poverty is a complex issue that requires intervention at different levels.
Suitable land

Central Government must compel provincial and local authorities to accommodate housing projects, although appropriate support from the relevant authorities would be necessary for maintenance where this was more costly than for formal housing.

Suitable land must be identified specifically for informal housing projects.

Thisland must be acquired and "banked" until it is required.

Bulk infrastructure must be Government-funded.

The Government should further facilitate the provision of commercial loans for site purchases.

The public sector, for its part, must facilitate the involvement of a wide range of private actors, including individuals, community organisations, loan agencies, township developers, home builders, material suppliers and utility companies.

Annual targets must be set by the public sector both for the amount of new informal housing to be delivered by the various sectors of society and for the number of existing informal settlements to be upgraded.

This would include the identification of the amount of land to be set aside specifically for informal housing, city by city, the location of this land, and specified amounts of national subsidised funds for informal housing.

The law should not prejudice the issue of the desirability of informal settlement. (The current Bill before Parliament for example stipulates that all informal settlements should be illegal.)

Each settlement is unique and its future should be based on a technical assessment of feasibility.

Clear guidelines

An appropriate legal framework should include procedure in terms of which all the relevant facts can be tested against clear guidelines provided by the law within a specified period of time.

The outcome must be a binding decision on whether an informal settlement is unsuitable for residential settlement, or authorised for permanent settlement and upgrading.

It must also decide whether compensation is necessary for any of the affected parties.

The UF believes the legal procedures would best be handled by a housing tribunal, similar to the Industrial Court.

It should comprise members appointed on the basis of their knowledge of the law.

In summary, the UF has suggested several immediate steps to tackle the country's enormous housing problem:

- Reconsider not only the Prevention of Illegal Squatting Amendment Bill but also the Prevention of Illegal Squatting Act. If that happens the UF and the wider private sector have offered the provision of their expertise and resources.

- The central Government must state its general policy with respect to existing informal settlements, emphasising the preservation and upgrading of shelter as a national priority and that the preference is for upgrading wherever this is technically feasible.

- In the context of a growing national housing shortage and the scale of informal settlements throughout the country, the Government should instruct all provincial and local authorities to halt any planned demolition of shelter unless there is suitable alternate land, well located for employment and acceptable to the communities concerned.

The choice for South Africa is the Prevention of Illegal Squatting Amendment Bill or an Informal Housing Act. It is a choice which will have a major impact on the country's future.
First National increases bond rate

The Argus Correspondent

PRETORIA. — First National Bank today became the first commercial bank to increase its home loan rate following similar increases just announced by most of the major building societies.

Senior general manager (public affairs and communications), Mr Jimmy McKenzie, said they had decided to increase their mortgage bond rate for both new and existing bonds to 16 percent effective from September 24.

Other major commercial banks are expected to announce increases soon.

Meanwhile, four of the five major building societies have now announced increases in their home loan rate to 16 percent.

"FORCED"

The Natal Building Society (NBS) today became the latest to announce an increase of 1 percent to 16 percent from October 1.

NBS public affairs general manager, Mr Brian Short said the NBS had held its bond rate at 15 percent although the prime rate had been at 16 percent for some time.

"General economic conditions have forced the NBS to match the prime rate of 16 percent and notification of this has been sent to all our bondholders," he said.

The EP Building Society has also increased its rate to 16 percent.
Home owners feel bond rate pinch

By Sven Lünsche

A 3.5 percentage point rise in the mortgage bond rate this year has pushed up the average monthly payments for prospective homeowners by R150 to about R750.

The latest increases in the bond rate were made by four leading building societies yesterday, when they announced an increase in their rate to 16 percent.

The United Building Society (UBS), Allied, the Natal Building Society (NBS) and Saambou said their rate for new bonds would go up from next Monday while existing bond rates would be affected on October 1.

The only society not to commit itself was the SA Perm which said it would keep to its current 15 percent, although it might well raise its bond rate at a later stage.

Banks would not comment officially but spokesmen indicated that announcements could follow later in the week, or even early next month.

In contrast to building societies, banks are not required to give a calendar month's notice of a change in rates.

First National Bank general manager Mr Jimmy McKenzie said the bank was analysing the situation but would not make an immediate announcement.

The increase to 16 percent represents a one percentage point rise for bonds written out by the UBS, the NBS and Saambou and a 0.75 percentage point rise for bonds with the Allied.

For the average R55 000 loan granted by the four building societies the one percentage point rise pushes up the monthly repayment on a 20-year loan by R60 to R765. On a 25-year loan the respective increase would be R50 to R747.

But these figures must be seen in against a background of steep increases in the bond rate earlier in the year. At the beginning of the year the bond rate charged by most banks and building societies was quoted at 12.5 percent.

Since then, the 3.5 percentage point rise in the rate, has pushed monthly repayments on an average R55 000 20-year loan to R765, from R625 in January, while repayments on a 25-year loan have risen by R140 to R747.

From an economic viewpoint the rate increases had been anticipated as bankers had repeatedly said that present margins were too thin.
THE Urban Foundation (UF) and the wider private sector's offer to government to provide their expertise and resources to develop a positive informal housing strategy still holds, says the foundation's MD Sam van Coller.

The offer was made "four or five weeks ago" by UF representatives, who made detailed written and oral submissions to the Parliamentary Standing Committee handling the Prevention of Illegal Squatting Amendment Bill.

The UF did not believe the Bill would achieve its objectives until a positive informal housing policy had been developed and implemented, Van Coller told a weekend media briefing in Cape Town.

The UF had been working with a number of organisations in developing its approaches and the proposals for a new informal housing policy — based on the preservation and upgrading of shelter — were supported by the FCI, Assocom, Nafoe, Chamber of Mines, SA Institute of Civil Engineers, SA Institute of Architects and the National Association of Home Builders.

Van Coller said the private sector urged that both the Bill and the 1961 Prevention of Illegal Squatting Act should be reconsidered and "in the event of reconsideration, the UF and the wider private sector have offered the provision of their expertise and resources".

Once the Bill became law, the legal process would be inexorable and once a committee was established

Informal housing strategy offer stands

**Political Staff**

In a rural area — the UF estimated that about three-million people lived in informal housing in the rural areas — in terms of the proposed measure, it would be forced to take action. It would be arbitrary, because no criteria were laid down in the Bill.

Interact

There would have been a better chance if a clear, informal housing policy had been adopted and it would be more difficult to do so if the Bill became law.

However, government thinking in this area was developing and "we don't see this as the end of the process. We will continue to interact with government until we have found the right route".

There were also positive provisions in the Bill and provision for "designated areas" was one positive aspect. "These are the opportunities to build on," Van Coller said.

UF's director of urban development, Anne Bernstein, said government policy should emphasise that the preservation and upgrading of housing was a national priority, and the preference was for upgrading of shelter wherever this was technically feasible.

"In the context of a growing national housing shortage and the scale of informal settlements throughout the country, the central government should instruct all provincial and local authorities to halt any planned demolition of shelters unless there is suitable alternate land, which is well located for employment and is acceptable to the communities concerned."

“One of the motivations of the Bill is to prevent informal settlers from occupying urban land contrary to existing land use plans."

"We share this concern, but if the Bill is implemented, land invasion in all SA's metropolitan areas will increase and large-scale settlements in unauthorised places will develop."

"Policy-makers have an important choice to make: the Prevention of Illegal Squatting Act or an Informal Housing Act. The choice will determine SA's future," she said.
MARITZBURG — SA had a black housing backlog of at least 500 000 units, of which about 300 000 were needed in the PWV region alone, Urban Foundation chairman Jan Steyn said yesterday.

Steyn said notwithstanding the significant progress made, the massive housing needs of low-income South Africans were not being addressed dynamically.

He said: "Looking at the Durban region, it has been reliably estimated that up to 70% of the black population — or about 21 million people — are living in informal settlements.

Exploited

"Many of them are housed in inadequate shack areas and a significant number of those are being exploited in a process described as squatter farming."

If such housing needs were to be met, it was imperative that 200 000 houses be built or adequate shelter provided every year in urban areas alone.

In 1986, only about 25 000 houses had been built for that sector of the market. Moreover, that rate of supply represented the efforts of the public and private sectors combined.

Not only was the rate of housing supply grossly inadequate, but when the housing being provided was examined in greater detail, it was clear such homes were affordable only by a small proportion of families or by those with substantial assistance from employers."
Steyn: Black housing backlog of 500,000

MARTIZBURG — South Africa has a black housing backlog of at least half-a-million units, of which about 200,000 are needed in the Pretoria-Witwatersrand-Vereeniging region alone, Mr Jan Steyn, chairman of the Urban Foundation, said yesterday.

He was speaking here at a public meeting of Azalea, an Urban Foundation utility company.

Mr Steyn said that notwithstanding the significant progress made, the massive housing needs of low-income South Africans — those with the most acute housing needs — were not being addressed dynamically at present.

He said that if the massive need for housing of low-income black South Africans was to be addressed it was imperative that as many as 200,000 houses were built or adequate shelter provided every year in the urban areas alone.

In 1986, he said, only about 25,000 houses — or one-eighth of the annual target — had been built for this sector of the market.

It was also clear, Mr Steyn said, that the homes being provided were affordable only by a very small proportion of black families.
SA ‘needs joint effort to beat its housing crisis’

The real problem surrounding the chronic housing shortage in South Africa is that it is seen in two distinct perspectives, the State on one hand and private enterprise on the other.

Instead, the housing of people should be seen as a joint effort.

This is the view of Mr Derek Cooper, deputy chairman of industrial giant Barlow Rand, a director of the Urban Foundation and a board member of the SA Housing Trust.

Commenting on the housing crisis in the latest issue of the group’s house journal, he says: “The availability of land and services in a macro sense are, without doubt, a Government responsibility.

Capital

“The further development of that land and the building of houses is where private enterprise enters into the picture as well as organisations such as the Family Housing Association (now renamed FHA Homes) and others like it.

“Finally, access to capital is in the court of private enterprise through the building societies and banks, assisted by Government in instances such as first-time home ownership.”

By FRANK JEANS

Mr Cooper has no doubt, however, that the bottom end of low-cost housing for the unemployed is the sole responsibility of the State, just as in other countries throughout the world.

While he sees the land availability problem being tackled, he believes the key problem of housing continues to be the lack of bond finance, particularly when capital to the extent of R30 billion will be needed to provide homes up to the turn of the century.

“I fear there is just insufficient capital in the building societies to meet this demand,” he says.

“They don’t have a problem in meeting the needs of the lower-middle, middle and upper class man. It’s in that gap between the lower-middle and very low-cost that I see a problem in the financing of homes priced at between R10 000 and R25 000.”

Barlow’s executive director responsible for human resources, Mr John Hall, adds weight to the Cooper view: “We have reached a stage where company managers have to understand that the housing issue is as much a part of their portfolio as are production, finance and marketing.

“South African companies will have to get serious about housing if they believe in long-term survival.”

The Barlow Journal believes the appointment of a full-time housing assistance officer by all major companies is a prerequisite for getting any housing scheme off the ground.
Tiny Lendings a Big hand to Homes market

By NORMAN CHANDLER

Hope

Tiny Borrowed Hope for the Future.

The Star Friday September 2 1988
The opening of the new houses in the neighborhood will provide a great opportunity for the community to gather and celebrate. The houses are designed to meet the needs of families and individuals, with features such as energy-efficient appliances, spacious bedrooms, and modern bathrooms. The neighborhood will also have community spaces, including a playground and a community center, to encourage social interaction and promote a sense of belonging.

To celebrate the opening of the new houses, a grand opening ceremony will be held on the weekend of [dates]. The ceremony will include speeches from local officials, a ribbon-cutting ceremony, and a tour of the new homes. Visitors are encouraged to attend and learn more about the new neighborhood and the opportunities it offers.

For those interested in purchasing a new home in the neighborhood, visit the website [website] or contact the developer's office at [phone number]. The website provides detailed information about the different homes available, including floor plans and pricing. The developer is also offering special incentives for the first few buyers, so interested parties are encouraged to act quickly.

The new houses in the neighborhood are part of a larger effort by the city to revitalize the area and provide more options for housing. The city has invested significantly in infrastructure and public amenities, and the new houses are the latest step in this transformation. With the opening of the new houses, the neighborhood is poised to become a vibrant and thriving community for years to come.
Housing market will lose some steam

By Frank Jeans

White house prices are holding up considerably well following bond rate rises, there is little doubt that the latest upward adjustment to 16 percent must inevitably have a dampening effect on the residential property market.

Endorsing this sentiment is the United Building Society in its latest issue of the Quarterly Housing Review which says that higher rates must hit demand for credit in general and homes in particular.

"Potential new homeowners are bound to reconsider their investment decisions carefully and consequently, the level of activity in the residential market might well decline."

On the plus side, however, the Review believes that since the white population continues to grow at a rate of 1.5 percent a year and net migration has been reversed "from negative to positive", the surplus stock of houses in white residential areas is likely to decrease.

The emphasis is likely to shift to the building of smaller houses since individual wealth is expected to decline in real terms," it says.

Looking at house price trends, the journal expects those to rise in tandem with inflation and an increase of about 13 percent a year seems likely over the next 12 months.

During the second quarter of this year, the rise in house prices was 11 percent on a year-on-year basis compared with 13 percent in the first quarter.

A medium-size house can now be acquired for about R85 000, while the average for larger homes remains stable at R118 000.

Certainly, the effect of soaring building costs is being seen in residential property.

At present, a medium-size house can be built for about R100 000 — about 22 percent more than the cost of buying an existing dwelling.

The United estimates that building costs rose by 10 percent on a year-on-year basis in the first quarter and by 17 percent in the second quarter this year.

In an national overview of prices, the Review says the most marked increase occurred in the eastern and western Cape regions, where prices rose by 11 and nine percent respectively on a quarter-on-quarter basis.

In the East Rand and Natal prices also went up by five percent and more, as against two percent in Pretoria and three percent in the rest of the Transvaal.
Housing Trust takes stock

BY JO-ANNE COLLINGE

In the 18 months since the South African Housing Trust was set up, it has built 5,800 homes for people who could afford R6,000 to R16,000 for a home. New the Trust will aim at those who cannot afford formal housing.

Taylor usually approves. He sees them as bad business, as distorting the market. But because the market is already distorted it gives you the right to intervene. If ever a subsidy system is needed it is for the bottom end of the market, to subsidise serviced land.

The second problem in low cost housing is finance for would-be owners. The Housing Trust is a wholesale finance institution that loans money for entire developments to developers.

It found it could not look to existing financial institutions to grant loans to individual buyers of units within these schemes so it established its own financing company, Khayalethe Home Loans (Pty) Ltd.

Buyers are usually required to put up 5 percent of the cost of a unit as equity. They pay off the rest of the loan over a period of 20 years at an assisted interest rate, presently 8 percent.

Mr Taylor is a banker by profession. He admits that the long-term financial management of the Trust is a challenge.

One thing he is clear about: "The investor in the Trust cannot look for more than breaking even."

Mr Taylor says that the Trust has found the risk in the low cost market is normal and the arrears position is no more serious than in higher economic groups.

In addition, there is the advantage of great scope for generating new business.

He predicts: "A lot of people in the financial world are going to be jealous to get their hands on that company (Khayalethe Home Loans)."

The State has virtually bailed out the low cost housing market, leaving long waiting lists of homeless people in its wake.

What makes the Housing Trust think it will succeed where the State has given up? Mr Taylor’s answer is: "Government departments are not sensitive to income and to the wishes of their clients. The business world is sensitive to both of these."
Call on govt to smooth way for providing homes

GOVERNMENT red tape had to be cut down to assist the private sector in solving SA’s critical housing shortage, AA Life MD Brian Benfield said in Johannesburg yesterday.

Benfield called on government to permit life assurance investment in housing to be recognised as a prescribed asset and to allow tax concessions on those incomes.

The solution to SA’s critical housing shortage was in the hands of private enterprise. But government had to facilitate the process by making land available more speedily and on a less complicated basis, he said.

At present up to 30 government departments and agencies had to be dealt with when getting land allocated for housing, Benfield claimed.

Unnecessary red tape should be removed if SA’s housing needs were to be met with any degree of urgency and efficiency.

“The sheer inventiveness and innovative ability of the private sector in general and the country’s savings institutions in particular will produce the financial solution to the housing crisis,” Benfield added.

The challenge was to find a way to allow institutions to provide housing finance at low rates that would fetch them an acceptable return.

He said AA Life was one of many institutions with money to invest in housing — particularly since the October stock market crash.

“As a life company we are required to invest a third of our funds in prescribed assets, which are primarily government stocks and bonds.

“If, after our statutory investment in prescribed assets, we had to put part of the balance of our funds into housing — which may well yield lower than market returns — we would have little leeway to generate growth.”

However, if government permitted investment in housing to be recognised as a prescribed asset and allowed investment income arising from this to be tax-free, or taxed at a lower rate, we would be in a better position to help solve the housing shortage, Benfield said.
This bond hike's the last one

WEWEEKLY WHISTLE
September 2 to September 8, 1988

This bond hike's the last one - until the next one.

BUSINESS
VAT likely to push up cost of homes

THE imposition of VAT on new construction could raise the cost of homes, with detrimental effect to low-cost housing in particular.

Biska economist Charles Martin said the imposition of VAT at a standard rate would up the price of new homes and could cause socio-political problems if there were no other fiscal measures to soften the blow.

The cost of a new home — taxes made up an estimated 6% to 8% of the cost of a house — would rise if all building activities were standard rated.

Only private buyers would be prejudiced. If the work was for a registered person, or for business purposes, an input tax credit could be claimed.

However, in the case of residential property bought by a private individual, there would be no credit and the full final tax would have to be paid.

Government's intention to make capital goods such as plant and equipment non-creditable for input tax purposes would also see an escalation in prices, as contractors would probably build those additional costs into the price of their goods and services.

This week the construction industry, represented by among others Biska, Seifsa, National Home Builders and the SA Federation of Civil Engineering Contractors (Safeec) met Inland Revenue to put forward a case for zero-rating under VAT.

Zero-rated goods and services attract no VAT on the supply.

Safeec contractual affairs manager Ted Brown said he doubted whether the industry would get the go-ahead for zero-rating.

VAT draft legislation is expected next month.
Housing SA's big problem

By Janet Heard

The housing crisis was the root of the problem facing South Africa and the only way to overcome the shortage of houses was for the Government to make the land available to all South Africans to live where they chose, Mr. Joe Latakango, senior assistant editor of The Star, said last night.

Addressing a seminar hosted by the Witwatersrand Council of Churches, Mr. Latakango likened the situation blacks faced today with the problems faced by poor white Afrikaners who came from the rural areas to the cities to find work in the 1930s.

He said: "The political machinery was put into operation to accommodate the Afrikaners.

He said that in the 1930s, government subsidies were introduced and interest rates were low, enabling people to find accommodation. Employment through job creation schemes was established.

"Today, with the influx of blacks into the city, subsidies have all but died and for those that exist, it is questionable whether they assist the person who needs them most. They often assist the developers and not the person buying the house," he said.

Interest levels were high and blacks who wanted to buy houses could not afford a deposit or the high repayments on a loan.

Mr. Latakango said that when the Nationalist government came into power in 1948, although commissions of inquiry into housing were set up, the policy was still that blacks were not to live permanently in the cities, and only a limited number of houses were built on limited land around the cities.

"This gave birth to the characteristic of the townships that we have presently in South Africa and the houses which were supposed to have a life span of only 25 years."
High-density housing ‘only way’ to cut servicing expenses in SA

By Norman Chandler

The Urban Foundation believes that high-density housing is the only way to reduce service costs.

The organisation’s annual review, issued recently, says high-rise developments for lower-income housing have been socially disastrous.

“The few tentative experiments local authorities have ventured in this country have been just as disappointing.”

The Foundation says that by clustering houses more tightly and reducing the area devoted to streets, it will be able to cut servicing costs.

“The overwhelming demand is for conventional single-plot units. Until there is an acceptance of the need for an alternative cluster-type layout, and an institution can be persuaded to back such a project on a reasonable scale, solution to the problem of housing will have to be sought along conventional lines.

SUB-TENANCIES

“Which means building houses large enough for sub-tenancies, and developments farther and farther away from the metropolitan areas.”

The Foundation adds that land is become more freely available in some areas, particularly the Transvaal (except for Soweto and Alexandra) and the Free State, but legislation such as the Group Areas Act continues to “put a brake on a totally rational allocation of land…”

One way to get around the problem could be the purchase, by the Foundation “and without help or hindrance of the local authority”, of blocks of land.

“The stratagem will need central or provincial government backing, but it is the view that without an approach of this kind it will be impossible to make up the national backlog,” the review says.
FIRMS AIM FOR PROFIT

Seminar on housing shortage told

AS the private sector's involvement in black housing continues to grow in leaps and bounds, its role is seen by some as part of the housing problem rather than part of the solution.

At a seminar held at Shareworld recently, participants felt that the private sector's primary aim was not to address the housing crisis, but to make huge profits.

The seminar was organised by the Witwatersrand Council of Churches (WCC) as part of its social responsibility towards the "disempowered" communities.

Although WCC's central aim is to serve Jesus Christ, it sees housing as an issue that all Christians in this country must address.

Participants felt that far from solving the housing crisis, the private sector had plunged many homeless families into heavy debts which they could not afford to pay.

Mr Joe Latakomo, senior assistant editor of The Star, who was a guest speaker at the seminar, said when the Afrikaners migrated from the rural areas to the cities in the thirties, the government thought something had to be done to accommodate them.

"They were vital because they were voters. Employment was provided and all efforts were made to provide housing for these people," Mr Latakomo said.

He said when blacks found themselves in the same situation, the opposite happened.

Mr Khehla Mbembe, a prominent Soweto figure, said housing was a political problem. He said it was deliberately designed by the powers that be to keep blacks in servitude.

He said that blacks, who were in the majority, were allocated only 13 percent of the land.

Field workers for the WCC made an audio-visual presentation which highlighted the plight of the homeless.

A spokesman for the church organisation said houses in the supposedly elite black areas were falling apart even though the owners were paying building societies substantial amounts.
House prices set to soar by 16%-28%

CAPE TOWN — Increases of about 25% in the price of building materials in the past nine months could send the price of an average house soaring between 16%-28% — well over the inflation rate, Cape builders said.

Acting Cape Town city planner Neville Riley believed it would be "well nigh impossible" in 1999 to provide acceptable and affordable housing for people who qualified in terms of the housing code.

A Master Builders and Allied Trades Association (Worcester branch) spokesman said the price of building materials had risen about 25% in the past year.

He said: "We are told this was essential because prices were held down so long during the recession. But, in fact, regular price increases have been a feature of our industry."

"One gets the impression that suppliers' production costs are not properly controlled and that there is in some areas a monopolistic situation." Because of the upswing, materials shortages were used to justify price increases without reference to the long-term interests of contractors.

A Garden Cities Development Corporation spokesman said they had stockpiled materials, thus "smoothing out the increases".

Bester Homes project manager E Potgieter said increases in labour costs would have a "tremendous impact" on building costs. — Sapa.
HOUSE PRICES

Still beating inflation

Rising interest rates aren’t all bad news, despite the row that’s brewing over the value of fixed property to the private investor, notably the homeowner, as a hedge against inflation.

The graph shows that, since 1980, house prices have consistently kept pace with the CPI, the most common measurement of inflation, even during the slump between 1984 and 1986.

The house price index tracks the median house prices of the same sample of representative suburbs in various cities each month. Its advantage is that all sales are incorporated, so that figures cannot be changed by a shift in the market.

It is true that the rate of increase in house prices is decelerating, but in the long term it is not expected to drop below the rate of inflation. The model used to calculate the Rode House Price Index accurately forecast that the year-on-year rate of change in house prices would drop from 19% in January this year to 13% in August. It predicts that this will fall further to 7% in December, that the underlying growth rate will be zero in December and that the average increase this year will be 14%.

The UBS, in its most recent Quarterly Housing Review, predicted an increase of just 13% over the next 12 months, which would seem to indicate that the rate of price increases will drop even further in the first quarter of next year. The underlying quarterly growth rate in the second quarter of this year was already only 1%, compared with 5% in the first quarter.

Obviously, prices began to drop even before the bond rate rises. Interest rates have, of course, been blamed for the deceleration. But it must be remembered that higher rates are the result of government efforts to curb inflation. This means that, at the very least, house prices are likely to rise in tandem with the CPI.

Nevertheless, there are those who claim that housing is not such a good investment. This might be true in comparison with corporate investment, where better annual returns could undoubtedly be had from industrial or financial equity investments.

But such investments are not a consideration for the average homeowner, who wishes to ensure capital appreciation. Of course, market perceptions, or perhaps estate agent enthusiasm, will tend to drive prices well above the rate of inflation in a cash-flush economic cycle, leading sellers to conclude they are losing out heavily when prices come down again.

But, in the long term, it appears private investors can’t really lose on fixed property. One study shows, for example, that the average annual house price increase over the past 20 years has been 35%.

And, while few people stay in one house long, as long as they trade up, it won’t matter at which point of the cycle they sell or buy.

Meanwhile, prospects for the property unit trust industry, another avenue for private investment in property, are looking brighter.

The level of interest received on cash balances is improving and rental income is escalating, leading to an accelerated growth in the underlying value of their portfolios.

Johan Annandale, retiring chairman of the Association of Property Trust Management Companies, expects building costs to rise by 23% this year and 15% to 18% in 1989. This could result in office rentals reaching a general level of R20/m² to R25/m² and line shop rentals in new centres reaching R40/m² to R50/m² to reduce the gap between building costs and rental income and so give investors a reasonable return.

However, he says, this gap will only be reduced after significant takeup of the oversupply of existing space — which bodes well for landlords of existing buildings and centres.

RETAIL DEVELOPMENT

Disparate views

It always takes some time for the property market to react to any major change in the economic outlook, but retail developers appear particularly ebullient at the moment.

Or perhaps it’s just that old ideas about regional shopping centres, appealing to a large proportion of surrounding suburban dwellers, die hard.

Developers, or at least the major financial institutions, know that the amount spent annually on retail infrastructure has grown at almost double the amount consumers spent annually in the past 10 years, and that rising interest rates are likely to put further dampeners on spending.

What’s more, they know that SA has too few true anchor and national tenants to give regional centres a tenant mix rich enough to keep consumers from being bored.

And yet, they persist in creating regional centres, each billed as bigger, better and more modern than its predecessors, and each with essentially the same tenants.

A case in point is Southgate, the proposed

SETTING THE PACE

Marketing is still king in the residential land sales business.

G G Büchner Properties, developer of the highly successful Lonhill suburb of Sandton, is again seeing the advantages of innovation in the sale of plots in its Blue Saddles development near Walkerville, south of Johannesburg.

In the first weekend of marketing, sales topped 100, leaving only 120 stands available. The plots, ranging in size between 2 ha and 2.5 ha, are being sold as “ranches” — combining the delights of country living with city facilities such as full services and a security system.

Prices range from R50 000 to R80 000 and MD Oswald Büchner reckons there is scope for capital appreciation. „Agricultural holdings in a nearby area are changing hands for R80 000 and upwards, while in the north of Johannesburg, prices start at R100 000.”

A further attraction of the “ranches,” he says, is that the provincial authority will not allow any further development of similar size stands without the Administrator’s approval. The reason is that many properties of this size are without serviced water and so become run down.

“This is why we are installing full services. We have also built into the title deeds the provision that each buyer must belong to the security organisation, that there is to be no construction with corrugated iron and that the building plans must be approved by the developer.”

FINANCIAL MAR. SEPTEMBER 23 1988
Innovative ideas needed to provide R20 000 house

Low-cost home challenge faces building industry

By Norman Chandler

A home for R20 000 or less. That’s HOPE’s challenge to house our people, and it is increasingly being taken up by the building industry.

And, surprisingly, the lead is held by architects working in neighbouring Botswana — they are designing homes using materials imported from South Africa.

Mr Hakon Ruud, a Norwegian expatriate architect in Gaborone, has developed a one-bedroomed, fully-insulated brick home for an all-in price of less than R15 000, including a 15 percent mark-up.

Mr Ruud, chief architect with the Botswana Department of Local Government and Works, told The Star the country’s Accelerated Housing Programme — designed to house about 3700 families by 1990 — “had to find a way around the dilemma, and designed three houses for this purpose”.

He said a one-bedroomed house, which included a lounge/dining room, separate kitchen, a combined bathroom and toilet, a verandah, as well as full insulation, would cost about R15 000. There are also two and three-bedroomed versions.

“We are very aware of the mass housing problem, and because of that, have established a low-cost housing committee to look into the problem,” Mr Ruud, an aid consultant on secondment to the Botswana government, said.

South African groups moving into the R20 000 package include LTA Comsat Homes, which is building 15 000 units in various price ranges throughout South Africa and the independent states.

Mr Tony Westbrook, deputy managing director, says: “We are looking at all sorts of building materials and methods to contain costs, but at present traditional brick or block-built homes satisfy the requirements of our clients, are acceptable to financial institutions and can be built at competitive prices.”

The company had found that 3 percent of the black population could afford houses in the R40 000 to R60 000 range — this leaves 97 percent who can afford nothing or less than R20 000. “The R20 000 figure is a problem, but we are undertaking research and development to see what can be done.”

The company’s mezzanine-style housing for Khayelitsha, near Cape Town, will be sold for between R17 000 and R23 000, including land. The units are built with concrete blocks and average deposits are R850 while monthly repayments are about R165.

The design incorporates several innovative features. The slope of the roof allows for an upper level, mezzanine sleeping loft which means the living, dining and sleeping areas, bathroom and kitchen can be combined in a 35 sq m home.

Mr Joe Taylor, managing director of SA Housing Trust Limited, says “In places like Alexandra township there is an overwhelming demand for houses in the R14 500 to R18 000 price category but the price of land alone sometimes makes this impossible.”
Many plans passed ‘will not be built’

GERALD REILLY

More than a third of building plans passed this year are unlikely to reach the building stage, UBS economist Shand Falkana said yesterday.

He was reacting to the January-July statistics of building plans passed, released yesterday by Central Statistical Service.

The figures show the overall value of plans passed increased by 45.1% to R4,168bn — houses by 55.3% to R1,963bn and flats and townhouses by 86% to R303,4bn.

Non-residential plans passed were valued at R1,334,5cm (up 35.7%) and extensions and alterations at R1,118bn (up 28.9%).

Falkana said in the ‘80s up to 1985 about a quarter of the plans passed came to fruition.

"Now, however, because of tightening economic conditions and the level of confidence in the economy, at least a third of plans passed this year will never reach the building stage."

The increase in public sector salaries could stimulate the housing sector but this could be neutralised by increased tax.
BLACK HOUSING

Too much paper

While government cleans up its act in providing land for housing, bureaucracy at provincial and local authority level is still proving a major stumbling block in the way of solving the housing shortage.

Major developers of black townships say obtaining approval for the various development phases can take up to three years from acquisition or allocation of the land.

Mike Guthrie, MD of Spruit View developer Impact Homes, says: “It took almost three years to get plans for this East Rand suburb (Property August 7, 1987) through various departments.”

What’s more, he says, the costs of such delays are naturally passed on to prospective homeowners, putting houses further out of economic reach.

John Marshall, MD of Direct Property Developers, says: “We would now have close to 10 000 houses for blacks in the Transvaal and OFS under construction had it not been for bureaucracy.

“A R150m plan for the development of 2 500 stands at Zimdeia in Sasolburg has been passing to-and-fro for almost 12 months between the Lekoa town council and the OFS provincial administration. The delay has already cost in excess of R500 000.”

On the other hand, it has taken Marshall’s company just three months to start work on the largest black township in SA, due to the cooperation of the Epaton town council and the Transvaal provincial administration.

The site of the R300m township, Beverly Hills, is between the Golden Highway and the R28 (Western Bypass). It has been divided into 4 000 residential stands, many of which have already been sold.

“The only delay now is on part of the Transvaal roads department, which has been making alterations on the proposals for the past five months,” says Marshall.

“If the various departments dealing with black housing operated like the TPA and the Epaton council in this particular instance, we could see faster progress in eliminating the housing backlog.”

According to Jan Canlaar, national roads design director for the Department of Transport, the delay in getting plans approved is due to national staff shortages.

Tom Boya, president of the United Municipalities of SA, which represents 60 black local authorities, says there have also been delays of up to four months in processing legal documents due to changes in the guidelines on 99-year leasehold and freehold rights.

“Most councils have now received new guidelines and future delays will be less than 40 days,” he says.
South Africa, one of the wealthiest countries in Africa, has about 7 million black people without formal housing. These are people who live in backyards, garages, self-built tin and plastic shelters, and out in the open.

The PWV area is surrounded by between 1.6 and 2.4 million homeless people, Durban by about 1.7 million and Cape Town by about 400 000.

It is estimated that the number of houses needed for those currently homeless is about 1.6 million. In 1985, this requirement was estimated to reach 2.8 million by 1990.

The crisis of homelessness has its roots in apartheid, which essentially promotes white power and privilege at the expense of the real interests of the majority.

History records that land dispossession, de-nationalisation and the denial of full political rights to black people have been essential facets of apartheid. This has manifest itself in the denial of the most basic of human needs — that of shelter.

What is the result of this inhuman policy for those who have had to bear the brunt of the suffering? Black people have come to the cities of South Africa to avoid starvation in the homelands created by apartheid.

**POLITICAL SOLUTION**

These millions have constructed shelters from wood, tin, plastic and cardboard, and have given birth to citadels of struggle.

What then is the solution to the crisis of homelessness? It must be stated at the outset that the solution is not an easy one and that it necessitates the galvanising of all concerned forces.

It must also be accepted that the problem is not just one of resources — it is also a political problem. It demands a political solution. Apartheid has caused this crisis.

Apartheid cannot, therefore, be part of the solution to the ills of South Africa, of which the homelessness crisis is one symptom. Any solution to the homelessness crisis must contribute towards the abolition of apartheid.

Any step towards solving the crisis must recognise that the so-called "squatter" communities are, for the most part, settled communities with viable infrastructures. While the State aims to destroy these communities, any solution must facilitate their development.

This means the upgrading of houses already constructed by people where they are at present. It means the provision of facilities and amenities, the setting up of clinics, and access for health workers into the areas.

**REPRESSIVE**

A crucial aspect must be the acquisition of more land — the land that black people were deprived of by the apartheid policy of the white rulers. It is evident that these solutions would require vast sums of money.

However, the money is available. Apartheid policies, and repressive machinery of the Nationalist Government, have necessitated the allocation of vast sums of money to the maintenance of apartheid and its military and police wings.

This money must be diverted to the provision of housing for the homeless. The successful and urgent implementation of these solutions can be effected only by the concerted effort of all anti-apartheid forces.

But the initiative must be launched in consultation with, and under the broad guidance of, the legitimate representatives of the majority of the people of SA.

This is essential because any initiative must be within the broad framework of the struggle for full political rights for all South Africa's people, that is, the initiative must fall within the context of the demand for one person, one vote in a unitary SA.
Bid to make loans more accessible

A study has revealed that only 3.1 percent of building society housing loans went to blacks, and because of this the Urban Foundation is to establish a small loans company.

The foundation says that the loans information had been uncovered during a major feasibility study looking into the setting up of a new mechanism for granting small loans to low income earners.

The study has revealed a need for loans — repayable over up to five years — of between R500 and R5 000 for a variety of housing products including building materials, stands and deposits for conventional bond finance.

It also revealed that building societies currently provide loan finance to only the top 15 percent of the black market.

The foundation says that it has also studied how a building society assesses loan eligibility and availability.

The recommendations, contained in a report of a research team on subsidies, has been submitted to the Department of Finance and to the Housing Advisory Council.
26-part series on TV boosts buyer interest

By Frank Jeans

Thousands of blacks are nightly switching on to home ownership — literally.

Playing a major role in mass medium exposure of the home and how to go about getting one has been television, and following the successful My Home series last year, a new programme begins tomorrow.

The 26-part, 10-minute pointer to the securing of residential property in the non-white sectors is being sponsored again by the country's biggest brick producer, Corobrik, and will cover topics such as finance, home improvement and building.

Mr Keith Nurcombe, national marketing manager of Tonceor, holding company of the Corobrik group, says: "The new series will consist of stand-alone programmes with a heavy emphasis on both education and training.

"We had excellent response to the first series which addressed many of the basic issues of ownership and building. Further feedback has revealed that we now need to go into greater detail on specific problems."...

House design and home improvement ideas will all come on to the box.

Programmes will also be available on cassettes.

Running in tandem with the October programme is a training network throughout the country with more than 50 My Home merchants set to advise black potential homeowners on financial and technical matters.

MARKET RESEARCH

The brick group is undertaking comprehensive market research into black home building.

Preliminary research indicates a growing trend for black consumers to buy all their building materials from a one-stop outlet.

They need specialised knowledge, however, about masonry products and building with bricks which is not always available in general stores.

A major problem, too, is a limited knowledge about financial matters which is a key issue that needs to be addressed.

Among other heartaches facing black homebuilders are the limited availability of some materials, bottlenecks in getting plans approved, the raising of finance and the selection of the right builder.
Room here for a further 1.4-m

By Norman Chandler

Urban areas in the Pretoria-Witwatersrand-Vaal area would not have any major difficulty accommodating tens of thousands of extra people looking for homes because the existing infrastructure is adequate.

"I was told that the Witwatersrand, for instance, could immediately support an additional 1.4 million people with its existing infrastructure," town and regional planning expert Dr Richard Tomlinson told The Star in an interview.

He also said that significant tracts of land were available for residential settlement — and that if private sector land owners refused to make their properties available, a "well-intentioned government" could do so through a Vacant Land Tax and other such measures.

Reaching out

Dr Tomlinson is senior lecturer in town and regional planning at the University of the Witwatersrand. He recently returned from being a visiting scholar at the Massachusetts Institute of Technology (MIT) in the United States and is currently completing a book on urban development in South Africa.

He says that the State should lead the way to overcoming the housing crisis by reaching out to the "really poor" as well as ensuring availability of land for homes of any kind — "there is so much land available. For instance, there are on the Rand large areas of mining land which would be suitable for this purpose just as there are areas which are unsuitable."

However, lack of financial resources hampered efforts to house people and this was a reason why he did not see a successful outcome to the housing situation.

Dr Tomlinson described South Africa as a middle-income country "simply not rich enough to house everyone. The debate about housing here is centred on one aspect: affordability. The problem is, we cannot afford it."

South Africa apparently has the capacity to supply 70,000 homes a year, whereas the Urban Foundation has estimated that the country needs the order of 200,000 units a year to eradicate the housing backlog — estimated at 3.5 million — by the year 2000.

Dr Tomlinson says that even if money were available "it is very seldom that a government delivers to the really poor."

He said: "Any definition of who the really poor are in South Africa is arbitrary."

However, we must remember that the household subsistence level for blacks in 1986 was R589, excluding accommodations. If you deduct this from a household income, before you have money for housing, then 56 percent of South Africa's black population has no money available whatsoever for housing.

"The equivalent figure for the Johannesburg metropolitan area is 29 percent."

Housing in South Africa was divided in three ways: those who could afford it via the private sector, State assistance with serviced sites, and those who cannot even afford serviced sites, but Dr Tomlinson said housing seldom came top of the list of priorities for the really poor.

"They want employment, cheap food, education for their children, a shack for shelter. Relatively formal housing is ranked further down the list," he added.

"For these people, if they have democratic control over how resources are allocated on their behalf, the outcome would probably be somewhat different than envisaged in the debate over housing."

International experience showed that even if someone who is poor is given land on which to build a house, as has been suggested by various authorities searching for a solution to the problem, the recipient is likely to enter into what planners describe as "downward raiding" — vacating the site almost immediately and trading it off against increased income.

Dr Tomlinson suggests that the only way to partially overcome this situation, and help the housing problem, is by providing facilities unattractive to higher income groups and which will not-prompt downward raiding.

"This seems like a justification of doing very little for the poor, but in fact the reverse is true. While one provides minimal help per household, this costs less, and the State is able to reach more households — it must be remembered that the State does not have sufficient resources to address the housing needs of all the people in the country."

Dr Tomlinson says this is not unique to South Africa.

"Internationally, it has been shown that the really poor are typically not a significant constituency in any country."
LOA rules out aid for home buyers

There is little hope of the South African insurance industry coming to the aid of prospective home-owners, particularly those needing low-cost homes.

The Life Officers' Association (LOA), an organisation of top-life insurance groups, says however that there is sufficient private sector savings to finance "much more housing than is happening at present".

In a statement to The Star, the LOA says that "the need for more housing is most severely felt at the low end of the market. However, the public at that low end is unable to borrow at current market rates".

The insurance industry is said not to have "investment vehicles that can bridge the gap between rates at which savings will be made available for housing and the rate at which the potential market for low cost housing can borrow".

They say low cost housing also carries a higher economic risk, a higher political risk, and higher administration fees.

The industry statement adds that it is not an agent "for the redistribution of wealth or to undertake any other form of social or economic engineering — the only appropriate considerations for a life insurance company, when deciding whether to make a specific investment or not, is whether the investment offers a low enough economic risk to ensure the preservation of policyholders' savings against the risk of financial volatility and a high enough return to ensure the preservation of policyholders' savings against inflation."
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Crisis in
Property

Crisis in
Construction

Homes Supply on
Increase, but

Increase, but
Getting to grips with difficulties of house hunting and selection

By Norman Chandler

Buying a house is not as easy as it sounds. The ABCs of how to go about it are contained in a practical guide now being published.

The booklet is said to be the first to detail fully financial arrangements, repayment tables, the choosing of the right suburb, and the differences between freehold and leasehold.

It is aimed primarily at first-time home buyers, say the publishers, Black Enterprise Publishing and Marketing and The Perm Building Society.

"In South Africa today, home ownership is the future — for everyone," the publishers say.

"More people than ever before are buying houses, encouraged by an ever-growing range of financial services and housing assistance schemes ... but buying still requires financial planning, self-discipline, a strong commitment and plenty of energy."

Owning a house is a way of accumulating wealth and of saving.

The booklet explains the Government's first-time home buyer subsidy, which was recently increased to encourage building of new homes.

To qualify for a subsidy, the total value of land and improvements on it may not be more than R65 000 and the value of buildings no more than R45 000.

The amount of repayments people can afford is also detailed. For example, the booklet says that someone with a monthly income of R540 should be able to afford a house at a maximum price of R12 500.

But to purchase it, the prospective owner would need to have available, at current bond rates of 15 percent, R3 543 for the 20 percent deposit, legal and municipal fees and loan registration.

A house in the popular R40 000 to R50 000 range would mean having available up to R13 000.

The booklet suggests that because of fluctuating bond interest rates, and to prevent possible financial difficulties, home buyers should ask employers to deduct loan repayments from salaries.

Guidelines on how to purchase and what to look for in a house are also detailed by the booklet.

The intricacies of obtaining a home loan from a financial institution are also spelt out.
Conflict in SA townships must end, says report

Staff Reporter

There is a pressing need for mediation structures to resolve the conflicts that have developed in many South African townships, says a report released by the South African Institute of Race Relations.

The publication, entitled "Urban Policy and Housing," and written for the Institute by Paul Hendler, says a stalemate between Government and anti-apartheid civic associations has developed which, some commentators believed, could be ended only by negotiation.

Obstacles

The obstacles to negotiation identified in the publication are:

- The Government's security strategy.
- The reluctance of community groups to negotiate with, and the unwillingness of officials to bypass, the black urban councillors.
- The absence of effective intermediaries who could bring parties with an interest in negotiation to the bargaining table.
- The view of some activists that housing negotiation would obscure political objectives.
- The view that negotiation with the authorities would conflict with the boycott strategies of some anti-apartheid organisations.

In the past few years, severe conflict, prompted originally by housing issues, had prevented local authorities in several townships from carrying out day-to-day administrative tasks, which left communities with the problems of doing so themselves.

This led to some communities presenting the authorities with alternative plans for township development and house construction.

The clearest example of this was a detailed plan which developed in Langa in the eastern Cape, which led in 1986 to the establishment of a special Department of Constitutional Development and Planning task force to investigate the feasibility of upgrading the township.

This department was also reported to have set aside R200 million for upgrading Uitenhage and Port Elizabeth townships in negotiation with the eastern Cape branch of the United Democratic Front.

But, as elsewhere, promising negotiations like these were halted by the detention of community leaders, the study said.

Mr Hendler, who is one of South Africa's leading housing experts, believes that sustained negotiations might not develop unless mediators emerge who can bring the adversaries to the negotiating table.

He suggests that a starting point could be land availability agreements between black local authorities and private developers. Developers or utility companies, provident funds or employers could negotiate the terms of development with community groups and then attempt to secure their acceptance by the local authority, in effect mediating between them.

Mr Hendler says the last few years are giving way to a recognition that local negotiation over short-term demands may provide communities with the organisation they need to pursue wider objectives.

He speculates, however, whether community groups' greater willingness to negotiate will be met by a similar response from the authorities.

He suggests that this will depend on the outcome of divisions within the State between those who favour negotiation as a means to stability and those who advocate a combination of force and socio-economic upgrading.

Undermined

Examining the stalemate in the townships, Hendler points out that although the security forces appear to have re-imposed township order, rent boycotts and other political resistance continue.

The State had been unable to establish the long-term viability or credibility of township local government. Its urbanisation policy was also undermined daily as people erected make-shift shelters in places of their choice, and attempts to remove them had been accompanied by attempts to negotiate instead.

The rent boycott organisers, on the other hand, had failed to achieve their objectives, which were an end to the state of emergency and the removal of troops from the townships.
Housing shortage could become bargaining chip

By Norman Chandler

The shortage of housing for blacks could become a political bargaining issue, says a South African Institute of Race Relations briefing paper.

It adds that the lack of, and the cost of, shelter could “also create pressure for negotiation”.

The paper, by Mr Paul Hendler, says “the provision of shelter is costly and few African residents can afford to cover construction costs or, at least in the view of potential lenders, afford paying off loans over an extended period”.

His “Urban Policy and Housing” paper adds that, although the Government has lifted restrictions on home ownership, it is not providing housing as it did in the 1950s and 1960s and “few can afford the monthly instalments on private ownership schemes”.

Rent defaulting is continuing and “conflicts over the right to settle on land are likely to be even more enduring”.

DEEP-ROOTED DEADLOCK

“The abolition of the pass laws means that the need for land will increasingly be manifested in the cities, but there are significant political constraints on the authorities’ ability to provide it.”

“Although the weakness of ‘squatter’ organisation is a potential obstacle to bargaining, a deep-rooted deadlock has developed which may only be resolved by negotiation,” Mr Hendler says.

“Negotiations with squatter leaders to determine the conditions under which they may remain on the land may therefore be the only means by which the authorities can ensure that urbanisation in the post-pass-law era remains orderly.”

The paper says the growth of settlements is an “intractable problem” for the Government, and “the stresses which it places on Government urbanisation policy could allow squatter communities to make significant gains through negotiation if they are able to forge internal unity”.

Bargaining could begin with “land availability agreements” between black local authorities and private developers.

Employers could negotiate housing agreements with trade unions, whose entry into the housing issue “raises possibilities for a new style of community organisation”.

“Their stress on negotiating from a strength derived from grassroots structures in which negotiators are mandated by their constituents and their use of negotiation to strengthen organisation could offer community groups a model which would allow them to win power over township decisions,” Mr Hendler says.
IN TRADITION

The first national award for quality clay masonry has been made by the Brick Development Association for work on a Victorian style office building in Maritzburg. Designed by architects Carter-Brown & Baillou, it was built by Modbou Construction, one of the few companies still offering specialist masonry skills. Known as 295 Pietermaritz Street, the gabled, red brick building fits into the architectural culture of the town, which celebrates its 150th anniversary this year.

Rand Mines (RM) believes its scheme is innovative compared with those of other mining houses. Employees can rent, buy or build, and existing miner houses in local authority townships are available for purchase. Where RM has implemented its scheme, wages have been increased. And RM has signed agreements with six major financial institutions — Standard Bank, First National, Santam, SA Pern, Saambou and the Allied Building Society — to provide up to 95% loans to coal division employees who elect to buy their own homes.

Employees on the group’s newer coal mines — Duvha, Khutala, Majuba, Rietspruit and Middelburg — are also benefiting from the scheme. Duvha and Middelburg Mine Services MD John Turner says, in some cases, employees will be given the option of buying company-owned houses which they are occupying. Even employees from TBVC states, where GFSF regards as migrants, qualify for the scheme.

The group has enlisted the services of FHA Housing, the housing development company under the wing of the urban foundation to study the coal townships development and basic homes. FHA has since become involved in developing extensions to Phola township, near Ogies and Mhluzi township, near Middelburg, to service RM’s coal division operations.

Johannesburg Consolidated Investments (JCI) is a similar bond scheme, subsidised by an amount of up to 29 times an employee’s monthly salary.

The subsidy reduces the repayment of interest to 6%. A survey of 15% of the value of the property, issued by JCI to various financial institutions, enables an employee to buy a house with a low deposit of 2.5%.

JCI has introduced a consulting service on home ownership matters, such as budgeting and insurance, and has arranged show houses for employees. In areas where it has few stands the company negotiates land allocation with local authorities. In either case, it develops townships itself.

Anglovaal’s home ownership scheme was introduced in February. Like JCI, its employees are required to find a 2.5% deposit. Out of the 160 residential stands bought by the group in the Free State, 60 have been bought by qualifying employees. These government-serviced stands cost R300 to R400 each.

Employees must have two years’ service to qualify, though exceptions are made. The Gencor mining division implemented its scheme in February last year. It provides collateral to building societies of up to 22.5% of the purchase price or loan and subsidises the interest, enabling the employee to pay a rate of 5%.

Mine property

Almost 500 bond applications are being processed. The division is exploring the possibility of developing mine property for housing and is investigating low-cost housing in the Thabong area, near Welkom. It is also negotiating to develop 574 ha in Khuma, owned by Stilfontein gold mine, for the Gencor mining employees in the western Transvaal.

Employees in the A4 job category (operators) and higher grades (technical, clerical and professional) qualify for Gencor’s scheme. On some mines the minimum qualification is B1. Loans vary from R35 000 for the lowest job category to R100 000 for the highest, but all employees with dependants qualify.

Anglo American gold and uranium division began its scheme in 1986. In its first year 35 employees took advantage of the scheme and so far over 530 families have benefited, including employees from TBVC states. Anglo’s scheme differs from Gencor’s in that it is “graduated payment mortgage” which allows employees to start with low bond payments and increase them as their wages rise.

HOUSING

Mines on the move

Driven by the need to retain skilled workers, union pressure and, they say, an increasing sense of social responsibility, all but one of the major mining houses are implementing employee housing schemes.

These are designed to give SA mine employees a choice of housing and the ability to invest and resell. The only major mining house which has no home ownership scheme is Gold Fields of SA (GFSF), which provides houses on its mines at subsidised rentals. Assistant manager, personnel, Judy Paul, says the group has taken this route because most of its employees are migrants.

One of Cape Town’s best known “independent” hotels, the Metropole in Long Street, has been sold by brothers John and Brian Bowman to a foreign-based company. The price paid for the prime CBD site with its landmark building has not been disclosed. What is known, though, is that the deal was financed partly in financial rands.

Newly appointed GM Alan Masters says the new owners plan to upgrade the hotel by refurbishing it to meet the challenge of the city’s expanding tourist industry, as well as capture a bigger share of the business market. They also plan to use the hotel to attract foreign tourists to Cape Town.

He says the restaurant has already been refurbished and will remain a speciality seafood establishment. The configuration of the 41 existing rooms will be changed to provide for 34 rooms, mostly suites. But the main difference is that it will go for a higher grading than the current three stars, as the five-star Cape Sun is right on its doorstep.

The sale of the Metropole follows only two months after another Cape Town landmark, the Mount Nelson Hotel, was sold to a Bermuda-based company for R25m. Also, in August, the Lanzerac hotel in Stellenbosch was sold to the Statesman Lodge Group for R5m. There are plans to upgrade and refurbish both the Mount Nelson and the Lanzerac.

METROPOLE SOLD

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Homes boom rip-off

By MACKARINE

Consumer pocket could be $5000 rip-off

If you've been caught in a rip-off, it's a good idea to contact your Consumer Affairs Office. They can help you recover your losses.

"Consumer, don't be fooled by the promises of quick returns. Before investing in a new product, do your research and read reviews from other consumers. It's important to know what you're getting into before making a purchase."
build the house, but left it incomplete and disappeared.
Mrs Dotwana said she had to dig deeper into her pocket to pay for some of the finishing touches as she had lost hope of ever tracking the contractor down.

"The house he built is also a mess. There are gaping cracks in the walls and some of the tiles are peeling off," Mrs Dotwana said.
She said she would never rest until the contractor had been brought to book.

Mr TONY FACTOR, well-known discount king and owner of Tony Factor's Discount Stores, this week said he would apologise to an unemployed Soweto man who had his goods repossessed, without a court order, by debt collectors on Wednesday last week.
Mr Factor confirmed this week that debt collectors employed by his company did not follow procedures laid down in the Credit Agreement Act when they repossessed a Hi-Fi set from Mr Wilfred Mkhumbuzi, of Dlamini One.
He said he would instruct that the set be returned to Mr Mkhumbuzi as soon as possible.
35 577 down but business banks at building for the poor

**Black building by the private sector, 1987**

<table>
<thead>
<tr>
<th>AREA</th>
<th>UNITS</th>
<th>PRICE RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA</td>
<td>24 112</td>
<td>97 000 - 295 000</td>
</tr>
<tr>
<td>Self-governing states</td>
<td>29 255</td>
<td>75 000 - 200 000</td>
</tr>
<tr>
<td>Independent homeland</td>
<td>2 200</td>
<td>125 000 - 400 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35 577</td>
<td>89 075 - 550 000</td>
</tr>
</tbody>
</table>

Sources: Business and Marketing Intelligence

**Top LTA-Comil’s design for R20 000 houses. Left: Township housing for black mineworkers. Above: Too much is being spent on more expensive houses.**

The large developers like housing projects all the way from virgin land to the sale of the completed house. How cheaply private developers can build depends on the cost of the land and the cost of servicing the site as well as on annual building costs.

Quantum Construction’s Ron Rennison estimates the cost of providing infrastructure such as water and road networks at about R6 000 and R8 000 depending on ground conditions. This includes the cost of the land, but excludes electricity, which is an additional R2 000 or so per site. Renison says Quantum only develops land where bulk services (water and electricity) are available or are promised. Without this, the cost of providing services would be much higher.

Some estimates are higher. Gough Cooper’s Frank Bertke puts the cost of servicing a site at R10 000, excluding land, while the Urban Foundation has quoted it as a 20% site cost, a minimum of R12 000 on the Cape Flats.

Land costs vary by area — it’s cheaper in outlying areas, according to Time Housing’s Mike Graham. And the cost of a house can be brought down by cutting costs on the servicing: tearing the basic routes but not the smaller roads, planning for one-way and therefore narrower streets, or even supplying houses without electricity.

Most developers, however, appear to regard water and electricity as the most expensive items in a project, although gravel roads may be a feature of some projects.

There’s then the cost of the house itself. Speed of erection is a crucial factor in keeping costs down, says Renison.

The longer the house takes to build and sell, the higher the interest costs incurred on financing a project. And one of the disadvantages small building contractors have is that they take longer.

Some developers are experimenting with innovative building materials — Time Housing, for example, has used a special facing material of low-cost wall panel systems which it says will enable it to build houses in the R20 000 to R30 000 market.

But most houses are still built with conventional materials — brick or concrete blocks. According to the BMI survey, 39% of the houses built by the private sector in 1987 were of brick and 33% of concrete.

The price range for these prices is Rs 11 000 to Rs 16 000, and prices are well as low as Rs 3 000.

However, the developer has limited his prices to Rs 20 000, as he says it’s the market price.

It has been limited to five percent of the price of the building, the New Building Society Act and has not been extended in terms of its limits.

Tucker, says, its hope is to raise growth in sales to 15 to 15 to 50 percent per annum after the merger.

For the most part, however, the South African Housing Trust (SAHT) is the institution which grants loans of R20 000 or less. It charges low-interest rates of between seven and 12 percent on maximum amounts of up to R3 000.

Then there’s a gap in the market with the building societies above R3 000 and the SAHT below R20 000.

Developers are experimenting with various options in an attempt to keep up with the market and are looking at lower prices.
LAYING THE FOUNDATION

By THEMBA MOLEFE

EDITOR of the Sowetan, Mr Aggrey Klaaste, was given a standing ovation when he formally launched the newspaper's Nation-Building campaign at a banquet held near Soweto on Friday night.

Shortly before he was applauded by the 400 guests at Shareworld, Mr Klaaste concluded by saying:

"The ultimate idea is that we, who are in the majority, will build ourselves, by seeking help internally and externally to build South Africa for all its people."

The outgoing president of the Chamber of Mines, Mr Naas Steenkamp, remarked after the speech: "Mr Klaaste's was a watershed speech and it is up to every right-thinking South African to heed the challenge."

A top black journalist said: "The feeling I have is like apartheid ended here tonight."

Mrs Sibongile Khumalo, who welcomed the guests and proposed a toast to the nation, touched many hearts as she sang her own composition, "Build the Nation", with the accompaniment of noted artist and playwright, Matsemela Manaka, on African drums.

General manager of the Sowetan and The Star and president of the Newspaper Press Union, Mr Jolyon Nuttal, spoke of a tough life in

Swop-a-Stamp begins tomorrow - R260
WHILE our rivals and some of our detractors wish to make belief out of the building of a Flushing-the-pan idea by a new Editor anxious to sell newspapers, or perhaps his name, I can say without equivocation that the idea took root to manifest itself. This manifestation was, in fact, the result of a combination of personal, political, historical and emotional factors which have impinged on my life—and I distress the life of young Sam Make for 39 years.

In other words this is not an unostentatious idea. It is no fly-by-night notion plucked from the air. The timing for it is, frankly, predestined.

Nation building is many things. In the final analysis it is something like a unilateral declaration of independence in style, if not in spirit, and to the crucial role that Congress played in this country's future.

Let me speak for myself. I am 48 years old and have lived through 40 years of National Party Pain. It has been a decade of unrest, full of despair, small triumphs, of helplessness, tempestuousness of anger, grief and very little hope.

I have lived likewise through three historical watershed events in the country's history: the founding of the ANC, 1966; Soweto, June 16, 1976; and September 16, 1984 onwards. I have been charged by these events, as they sent me singly and jointly, the hatred and the hatred of human experience. As a journalist—almost this entire period—I have been placed somewhere near the front line of events.

After Sharpeville 1960, the first paradigm towards a phenomenon I had not witnessed before began. After the first shock of the tragedy, we became the unwitting victims of the first waves of anger, which swept us along like the wind, and as a result, lost confidence in the leadership. The aftermath of the tragedy, which saw the battle lost by the ANC and the sacking of the black population as the first step in the escalation.

The next terrible explosion happened in 1968, where I was240 years later, in 1976. This time the cost was much higher. People were perishing in the thousands, and it was a matter of life and death for us. The same was true in the years that followed. Once again the newspaper and the opposition political parties saw it as their duty, for the silent flames systematically for the next round.

Once again the white community was told things were under control. Law and Order only needed to be in place for life to be tolerated. But generally the desire for safety was one to stop the thing that threatened the community. It was not just another historical aberration. If that was the case, it would have been a much more costly thing to lose.

Quite clearly something had to be done to stop this madness. Or at least cushion the blow of the next explosion. This has been decided on as the ANC as a result of our reading of the events, of our experiences, that we should drastically shift our strategy.

If you will allow me a little diversion into history, it was 1948, when the National Party came to power, that the Afrikaner Nationalists had to the problem of the African vote, and the coming to power of this party seemed to have been due to the fact that Afrikaners had a poor white problem and felt they could not afford a black leader to seek first the political kingdom. There was a plan there, which has become reality with the hatred of black people.

For our African country after the other got in independence in the exhilarating days of that post-apartheid era, and its inexplicitly, nation after nation failed. Then the African countries...
BIRTHDAY TREAT FOR DETAINED NUM BOSS

SOWETAN Reporter

of South Africa, joined
in the celebration
that was held in the foyer
of the 4F courtroom.

There were good
wishes from the specula
tors and others sent
cards. Some court
officials joined in the
brief moment of excite
ment as photographers
clicked several shots.

Treason

Incidentally, 4F is the
courtroom where the
trial of eight young men,
also from Alexandra
township, was held. They
were also charged with
treason, alternatively
edition or subversion.

At the end of the trial,
Mr Justice Grosskopf
convicted all but one, of
dition and sentenced
them to jail terms of
which some years were
suspended.

Mr Mayekiso, secre
tary-general of Numisa, is
appearing with four
other civic leaders before
Mr Justice P J van der
Walt on charges of
treason, alternatively
edition or subversion.

The four are, Mr Paul
Tabutahala (38), Mr
Richard Mdikane (29)
Mr Obid Bapela (28) and
Mr Mawane Mayekiso.
They have pleaded
guilty and are to be
judged on evidence.

After the brief party,
Mr Mayekiso returned to
the witness-stand, from
where he is being cross-
examined by the State
prosecutor, Mr Chris
Human, SC. He was
questioned about the
documents that were
found in his possession
when the police arrested
him.

Union chief praises concept

BLACAXS will still not be
free even if apartheid
were to be scrapped from
the Statute Books,
according to Mr James
Mudaweni, president of
the National Council of
Trade Unions.

He was addressing the
Southern Transvaal
Regional congress of the
Media , Workers Asso-
ciation of South Africa
(Mwasa) at Pretoria
Community Centre
yesterday.

Concept

Mr Mudaweni called
on Mwasa delegates to
take heed of the
Soweto's National-
Building concept, which
he said was a call through
which people were being
told that they are capable
of liberating themselves.

He said members of
the African working class
had for many years
undermined their ability
to do anything for
themselves because they
had grown used to
having things done for
them by whites.

Mr Mudaweni also
said it was very
important that demo-
cracy should prevail in
the labour movement
and that political
ideologies should not be
imposed on workers
without allowing work-
ners to debate and deci
se on their own which
ideology they want to
subscribe to.

The outgoing chair-
man of Mwasa's
Southern Transvaal
region, Sam Mako,
applauded Mzimrj and
the Black Consciousness
Movement of Azania for
what he called: "A
courageous stand they
took on the education
crisis in South Africa."

He said the position
taken by the two
organisations when they
met in Harare in June
demonstrated genuine
leadership.

Play

"If you are a genuine
leader, you don't play to
the public gallery, you
have to be honest and
have the courage to take
decisions even if it not
necessarily popular.

"We all know that
there are leaders who do
not want our children to
be educated because
elements are not
sung to be manipulated.

The Mwasa congress,
which started on
Saturday, was attended
by over 200 delegates
representing 73 plants
in the Johannesburg area.
Building The Nation

Nation Building means picking up the pieces and rebuilding all structures that have collapsed in our communities;

It means striving for the best in all that we do for ourselves and our people;

It is the search, the acquisition and control of structures of power required for the survival of a nation;

It is creating an efficient leadership and increasing the value and quality of life among all inhabitants of our country;

We have a vision of a future society we want to create for ourselves and our children;

Let us, therefore, set ourselves goals and design Objectives and a programme of action that will set the wheels of Nation Building in motion;

Nation Building is our hope for the future.
Building the nation

- From Page 6.
for 40 years, they made
one fatal mistake. They
forgot the rest of us. Not
only that, they hurt us.

Today that injury to
Blacks and others, that
total contempt for the
humanity of others is
reaping the whirlwind.

While the anger from
the dispossessed is
becoming simply too
powerful to ignore, the
monolith of Afrikaner-
dom is cracking. That
has taught us, the nation
builders, another bitter
lesson. For if the
Afrikaners had done all
the things they did to
build themselves, done
them for all of us, for
South Africa, they would
have been in a comfort-
able leadership position
today. That, I believe, is

I have written some-
where that it is increa-
singly becoming the
responsibility of blacks
to help this country from
certain ruination. It is
our responsibility
because it is also our
country, and we are after
all in the majority. Even
more, pertinent, we
have something within
us, something not easily
definable that makes us
equal to saving this
country and perhaps
the world.

It stirs in the very
depths of my soul, the
certainty that blacks
have a unique and
remarkable humanity
called Human that others
do not have. We have this
indescribable ethic, to
forgive and to forget.

We would thus be able,
after the reconstruction
of collapsed power
structures, to do the good
things, not for ourselves,
but for all South
Africans. The Afrikaners
are hoist with their own
historical petard. They
encumbered their people
with a baggage of race
supremacy, an almost
passionate claim to the
ownership of this land,
and overlordship eternal-
ly over blacks. They
taught this to their
schools, through their
religion, and by propa-
ganda. They kept on
massaging what should
have been badly bruised
consciences by pointing
to the general debacle in
the continent.

Not that South
African blacks helped to
nullify this stereotype.
We tend to act like Dr
Jekyll and Mr Hyde. One
moment we are bowed,
scraping slaves, happy to
lick the Bax’s hand. The
next thing we are
engaged in unbelievable
acts of violence. And
more irrationally against
ourselves. How could the
average white person
have confidence, nay
respect for such people?

The Afrikaner bro-
derwis has become a
reality. The Afrikaners
have revolted against the
so-called reform process.
In their eyes this is first a
sharing of the spoils of a
powerful country they
believe was built solely
through Afrikaner sweat
and blood, and in the end
the fear of handing over
to violent blacks. They
will have no truck with
that. And who can blame
them. Thus the Conser-
vative Party and other
radicals to the right.

The more dangerous
thing is they are a very
frightened people. For
this reason we, on the
Soweto, have studied
the danger signs and
something just had to be
done.

Another little diver-
sion. On some of my
travels I was told by
worried black South
African expatriates they
were tired of protest
politics, of the one
impotent continual cry
against oppression. By
some coincidence many
of us feel exactly that
way.

I know what it is like to
be in exile. It is an
emotional, physical and
spiritual laceration of the
very soul to be unable to
get back home. I said
Nation Building is
profoundly timeous for I
fear some of my
compatriots inside the
country have also
become battle- weary. We
are tired especially that
the cost in every
upheaval is heavy on us.

So everything seems to
indicate there has got to
be another movement
spurred on. But what
should it be?

(To be continued
tomorrow).
LET'S MAKE A DAY OF IT!

THE Sowetan newspaper has called for the declaration of October 21 as a nation-building day, to mark the victory scored in the process of building a new nation in South Africa.

Speaking at a presti- gious dinner, at Stan- wort, to launch the nation-building cam- paign, the editor, Mr. Simon Makavel, said October 21 should be included in the black calendar.

"The day should be remembered as the beginning of the road to freedom, and as a day when people will begin to pick up the pieces and go forward," said Mr. Makavel.

"Corollary to Mr. Klause, Mr. Makavel said in his closing remarks that the victory scored in the process of building a new nation in South Africa are too-scored to be different or of being labelled irrelevant.

"But there is no way we can retreat. We have to this country and that is why we want to adopt a more realistic approach to problems facing this country," he said.

He added that for many years, blacks delivered good speeches at commemoration services such as June 16. They whipped up people's emotions and launched seething attacks on those they held responsible for their oppression.

"But we have been doing it for 100 years. And all we have achieved so far has been to perpetrate and not to improve our material conditions. Nothing to improve our social, moral and physical well-being," he said.

Mr. Sydney Mabiku and his wife Kellita, share a moment at the banquet. Mr. Mabiku is Production Editor of the Sowetan.

Mr. Sydney Mabiku and his wife Kellita, share a moment at the banquet. Mr. Mabiku is Production Editor of the Sowetan.

THE editor of City Press, Mr. Khulu Shibya (standing) and his wife Esther, with Sowetan co-editor, Mr. Michael Tsalong, and his wife Jennifer, at the launching of the Nation-Building campaign.

THESE beautiful ladies at the Nation-Building launch are Thulani (left) and Dudu Kusene.
The ideal: To build ourselves

It has been risky. It has been very difficult to shift the focus from the political struggle.

But we had to do something. It seemed to us with the fractional nature of black politics, even the vocabulary for instance, talk about black unity had become jaded. We had to look for a new vocabulary. We had to be able to see that vocabulary in ways that would not lead to confrontation with a highly suspicious Government.

We had to develop a lateral type of thinking, a thinking that would in the end lead to black unity. We thought of Nation Building. It is ideologically a neutral label. It also tells the majority of people who had retreated from political activity that they count.

And for heaven’s sake, how many good people are there even amongst us amongst our friends who should be told by all definitions be accorded the label of leaders? In the end we are talking to each other, to our children to the world, that the only leaders who are of consequence among us are the political leaders. That has been a shattering thing to many people. Those who are politically active had built the attacks from the State. Many of them have died. Many have been in exile. Many of them are in detention.

This is another reason why I say the political kingdom will look after itself. It will look after itself particularly if it has the influence.

It has been difficult to work in the newspaper. Being near the center of most sensitive situations, we have been asked many times to search for black leaders. We are asked in times of crisis: "Who are the leaders?" "What is the problem?" The answer is always "Politically we have always been there" in detention or exile. What an insulting thing to say about the many black men and women who are doing excellent work that can make them fit for the cap of leadership effortlessly.

Nation Building is about the recognition of such leadership. The work of the newspaper is also a reflection of the world. We want to know if there is the potential of being a leader. That is what I can handle a schoolboy. That I can understand and explain the profoundly behind the liberation before education, and at the same time stressing the desperate necessity to acquire knowledge.

I am still looking, or rather still and my colleagues are trying to help and we get that essential chemistry together. We will convert in a way we have built so religiously.

We need to have the type of black leadership that will decrease fear in the hearts of the young Africans. They are afraid of old men. They are convoluted by the perceptions that we are a vast population of gargantuan people easily swayed by Communists, and other radicals. We have to show the people that when we build a building we include them in that happy future. We have not seen people helping rebuild the structures all form in concert. When we run out of ideas, out of money, out of resources, we will ask for help from our friends.

We are prepared to go to Pretoria and Johannesburg and Universities for such help.

But we will continue. The ultimate ideal is we, who are in the majority, will build ourselves, by seeking help internally and externally for that matter, to build South Africa for all on people. I have always been agitated over this talk. I do not even think that have done justice to the idea of Nation Building. I have not been effective in a simple journalist such as myself to articulate properly. I do not think it is enough. I am not even sure in the final solution.

The launch of the idea is fittingly held to raise funds for our elderly citizens. Perhaps the one of the most important differences is the toiling for a new South Africa. I have not spoken about our plans for the future.

Let me end by saying in this way: we are hoping to make this evening, and the historic month of October, in which the rightists have been great pain and suffering, a day of celebration to rebuild a great people. A great country

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**The Media Council**

The South African Media Council is an independent body established to deal with various matters affecting media reporting and comment. One of the council's functions is to receive and act upon complaints from the public who have not been able to get satisfaction by approaching a newspaper or other news media directly. Complaints must relate to published editorial matter and should be lodged within 10 days of publication. Hatred complaints may be accepted if good reasons can be adduced.

The address to the Council is via the Registrar, South African Council, P.O. Box 5222, Cape Town 8000. Telephone (011) 507-7571. Inquiries are welcomed.

Political comment in this issue by Aggrey Klaaste and Zane Maino. Sub-heading, headlines and posters by Sydewa Mkhize. All of 61 Commando Road, Industria West, Johannesburg.

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More belt tightening as rate increase is forecast

By Sven Lünsche

Home owners and consumers buying on hire purchase face higher monthly charges within weeks as financial authorities prepare to put up interest rates again.

The financial markets yesterday sent a clear signal to the authorities that interest rates will have to be increased as soon as possible — raising the spectre of higher lending and bond rates.

And the Reserve Bank is expected to oblige next week by raising the bank rate by up to 1.5 percentage points from its current level of 12.5 percent.

The key short-term liquid BA rate yesterday rose from 14.5 to 14.75 percent, its highest level in three years, an indication that dealers anticipate a higher level of general interest rates soon.

The commercial banks, which have emerged as major players in the housing loan market over the past two years, could implement possible increases immediately.

With the exception of the Standard Bank, whose bond rate is currently fixed at 15.75 percent, all banks and building societies at present charge 16 percent on bonds.

If bond rates are raised by 1.5 percentage points, home owners would see their interest payments go up from 12.5 percent at the beginning of the year to 17.5 percent, effectively increasing the monthly repayments on a R70,000 bond by over R300.

Sapa reports that the Government is unlikely to put up GST before next year’s budget.

Government sources said that those pushing speculation about an increase in GST following the local government elections were likely to be deeply disappointed.
MASS HOUSING

Seizing the moment

Awful though it may seem, the housing backlog may just prove the salvation of the building industry — if it has the will to seize the opportunities, despite wafer-thin margins in this sector.

Direct private-sector investment in the market is set to fall by half in 1989 (Property October 14). Meanwhile, the government-sponsored SA Housing Trust (SAHT) has this week come to the market with four schemes in which the total investment over the next three years will be some R180m.

While these may seem drops in the ocean, the trust has at last put into place an operational structure which directly benefits housing contractors, to whom it allocates stands for development.

The SAHT was started almost two years ago with an interest-free government loan of R400m, on the understanding that a further R300m would be raised from the private sector. It became a public company and has more than a dozen major companies and financial institutions as its shareholders.

A stock issue last year generated a further R100m and total turnover in SAHT stock in the secondary capital market since December last year has been R2,6bn.

To date, it has approved projects with a total value of R730m, which are expected to result in the provision of 30 000 serviced stands and, within two years, some 37 000 houses. It hopes that 9 500 permanent jobs will be created in the next three years as a result of its labour-intensive building practices.

Conservative estimates put the housing backlog now at 700 000 units and figures from the SA Housing Advisory Council suggest that 2m homes will have to be built by the year 2000. At just R10 000 a home and 12% annual inflation, this would mean an annual investment of R4,5bn to build the 210 000 units a year necessary to meet this figure.

Meanwhile, unofficial estimates put the current number of unemployed at 4,5m and project that 9,8m people will be out of work by the end of the century.

The four projects announced by the SAHT include the release to developers of 4 500 stands in Khayelitsha, Cape, which have been serviced by the trust at a cost of R27m. Houses priced at R16 400-R20 000 will be built by 18 development agents on all the stands by 1990, taking the total investment to R80m.

The second project is the second phase of this development, where servicing will also cost around R27m and the total investment is expected to be around R88m. The whole project is being undertaken with the western Cape provincial authority.

In the Transvaal, the SAHT has reached agreement with the province on three development projects — at Wildebeesfontein, Rietvlei and Khutsong.

At Wildebeesfontein, some 2 500 stands are to be serviced by 1992, with work on the first phase of 1 000 stands estimated to cost R4m. Some R7m in total will be spent on the 1 000-stand starter phases in Rietvlei and Khutsong, where a total of 5 000 stands are to be developed.

Developing skills

In all these projects, the trust will make use of small builders, providing them with advice and technical assistance and generating employment.

And the SAHT and the Urban Foundation’s housing unit, FHA Homes, have done sterling work in eliminating much of the legal and financing red tape associated with buying a stand or a home.

But there is still a need to mobilise massive amounts of capital if the housing waiting lists are to be shortened in any meaningful way.

What is needed is for the major private housing contractors to put their own shoulders to the wheel. It’s in their best interests.
THE OPPONENTS... His family and his friends all believed that he had a heart attack. But doctors said it was just a panic attack. He was rushed to the hospital, where he died a short time later.

The family was devastated. They had hope that he could recover, but the doctors said it was too late. They buried him in a small cemetery in the countryside.

The story was all over the news. Everyone was shocked and saddened by the loss of such a young and promising man.

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Rounds up again.
Outlook bleak in housing market

By Norman Chandler

The housing market is likely to experience a downward spiral which will result in fewer properties being bought and sold, hundreds of repossessions and a fall in prices, and smaller estate agents in liquidation — all by the second quarter of next year.

"That was yesterday's grim message from economists, credit information companies and estate agents following decisions by building societies to increase home loan repayment rates by one percent, to 17 percent, with effect from next month, and the likelihood of a further one percent rise in the new year."

It is the fourth building society increase since March 30 this year when the rate stood at 12.5 percent.

Yesterday First National Bank announced that home loans would go up by two percent from November 24 following a similar rise in the bank rate announced earlier.

Mr Paul Edwards, managing director of Information Trust Corporation, said yesterday that "there is no doubt this is going to cause a fair amount of pain, especially to those highly borrowed."

Indications of bad times ahead in the property market come from Reserve Bank statistics which showed that new loans granted by building societies dropped from a high of R606 million in March this year to R765 million in June and were now hovering at the R650 million mark — "a dramatic cutting back is on the go," says Mr Neville Berkowitz, of The Property Economist.
Govt urged to support squatter housing plan

By Norman Chandler

The Government was urged this week to issue a policy statement encouraging formalised squatter camp development.

The call came from Mr Brian Longley, chief executive officer of FHA Homes — a utility company of the Urban Foundation — who said recognition of the issue was vital.

Speaking at the company's annual meeting, Mr Longley said the only way to provide a solution to the problem of urban housing on a sufficient scale was "to supply families with serviced stands and allow them to provide their own forms of housing".

"With recognition, the problems of housing can be solved."

Mr Longley said the aim of his company was to make affordable housing accessible to all South Africans "through development of serviced residential land and homes for lower and middle income urban communities."

The annual meeting heard that FHA Homes' business grew 160 percent last year, and turnover had risen from R21 million to R55 million. The company sold 5,000 serviced residential stands and 2,150 homes. It hopes to provide services to 7,000 stands during the 1988 financial year.
Price of a roof goes up and up

There will be only one talking point at parties, round the swimming pools, and at braais across the country this weekend: the high price of having a roof over one's head.

Gloom descended over much of South Africa during the week as hundreds of thousands of homeowners woke up to the news that mortgage rates were going up by 1 percent.

And then came predictions of another rise on New Year’s Day, which could push the rate to 18 percent.

No one — black or white — can escape it. They have to face up to the fact that consumer spending, as one expert puts it, has gone haywire.

The increase in bond rates is because building societies and banks are facing cash flow problems, and are having to satisfy stringent minimum liquidity demands from the Reserve Bank.

Foreign debt

And with South Africa’s cash reserves under massive pressure because of sanctions and the repayment of foreign debt, it was inevitable that the man-in-the-street has had to meet the demand by cutting back on his credit and digging deep into his back pocket.

The ripple effect in the housing business is that estate agents, small builders and other periphery operations will all suffer.

Estate agents will suffer because they are the frontline in the sales market; small builders because householders cannot get additional bonds to add on rooms; and periphery operations because they rely on the small builders who supply householders.

The difficulty in paying home bonds will have a devastating effect on householders.

Some could find themselves in the bankruptcy courts.

Mr Paul Edwards, managing director of Information Trust Corporation — the former Dun and Bradstreet credit information company — says there will be "a fair amount of pain".

By NORMAN CHANDLER

If you own a house, watch your cash. The whirlpool re-bound of the new bond rates is going to make you dig deep into your back pocket.

He told The Star: "The consumer has been on a wild buying spree, a lot of which has been brought on by improved perceptions of the state of the country and a better remuneration package.

"He has increased his borrowing, as demonstrated by an alarmingly low percentage of savings to disposable income."

Consumers, says Mr Edwards, have not been heeding what he calls "strong messages from government."

And Mr Edwards is frightened out of his wits by the impact that Christmas bonuses will have — as they usually spur spending.

He says that when we wake up on New Year’s Day "we will have to face the realities of the situation."

"It means there will be an adjustment of living standards. The increase in interest rates is most definitely going to have a severe impact.

"Housing prices have moved up sharply since the end of last year. Bond commitments will shoot up.

"We forecast an increase in bankruptcies."

Mr Edwards said the increase in the bond rate Bank Rate is a similar trend to that of August 1984.

"The scenario then was an overheated economy, a rapidly expanding money supply, and diminishing foreign reserves. The result was that the economy had to be cooled."

"The impact of drastic measures — such as a hike in prime rate to 25 percent, saw business failure rocket, and individuals found themselves in bankruptcy."

"Today’s scenario is similar — but worse. The country has to face severe restrictions on financing as a result of the difficulty in raising foreign loans.

Mr Neville Berkwitz, of The Property Economist, forecasts that April, May and June will be critical months.

"Most people may at this time be able to afford to pay their bonds, but there is no getting away from the fact that repossessions are on the increase."

Mr Lourens Badenhorst, managing director of Nationwide Real Estate, believes there will be a 20 percent cut in house sales during the next few months.

The bond rate increase would particularly hit the R75,000 to R125,000 price range in which a household, at present, can afford a R955 monthly repayment.

Mr Badenhorst added: "Despite the new increase to 17 percent, we still believe that house financing is the cheapest way to buy an investment and the best hedge against inflation. Housing is a commodity that is a necessity."

Clear the market

He forecasts that a number of smaller estate agencies will go out of business by a turnaround in the market. "It will certainly clear out the rats and mice. Some came in when the market was buoyant and hoping for short-term riches. Those days have now gone."

Econometric’s Mr Tony Twine says a key factor in the number of houses which may be repossessed because of an inability to repay bonds would be affected by the preparedness of financial institutions to "roll over the interest burden."

"It all depends on whether or not institutional cash flows and liquid asset requirements are able to take the strain."

Mr Twine said that during the era of high interest rates in the mid-1980s, building societies had not extended bond repayment periods.

"They changed their attitude in recent years, and if it is maintained, then this could soften the blow for house-owners."
THOUSANDS of homebuyers who will be hard pressed to meet the soaring monthly repayments that will follow yesterday's rise in interest rates are being urged to hold "crisis talks" with building societies to avoid repossession of their homes.

By SOWETAN REPORTER

After a long delay, the Government decided to allow a 2 percent rise in rates — one of the biggest jumps in years — which will force banks immediately to raise their home rates from 16 to 18 percent.

The Standard Bank was the first to announce a 2 percent rise in lending rates as from yesterday.

A 2 percent rise in rates means a home owner paying off a R60,000 bond over 20 years will have to fork out an extra R86 a month.

In a year, his repayments have jumped by about R245 a month from R680 — a rise of 40 percent which is far beyond salary increases.
extending the repayment period from 20 years to 30 years. However, this would add about R$2000 to the ultimate price of the house.

"If you are in a crisis it is worthwhile. But buyers should try and cut back elsewhere, and pay the extra to avoid losing their homes."

The NBS says it will give homeowners help wherever possible.

Where a bond was already partly liquidated, the society said it would look at possible relief by a temporary suspension of repayments. The bond could also be extended to the original period, which would bring a drop in monthly repayments.

New purchases of cars, furniture and other goods on HP will also cost more.
Homeowner in bond-age

SUCCESSIVE increases in the mortgage bond rate since January have raised the monthly repayment on a R60 000 bond by 29 percent.

And if this week's bank rate leads, as generally expected, to a further 1 percent rise in the mortgage rate to 18 percent, the overall increase in repayments since January would have been 35.9 percent.

In January, when the rate of interest on a bond was 12.5 percent, the monthly repayment on a R60 000 20-year bond was R681,60. In December, when the rate rises to 17 percent, the monthly repayment on this bond will rise to R839,20.

If, should this week's 2 percent increase in bank rate result in the bond rate going to 18 percent, it will further increase the monthly repayment to R955,80.

Building societies normally insist that the monthly repayment of a mortgage bond must not exceed 25 percent of the borrower's income.

On this basis, a borrower in January had to earn R2 726 a month to qualify for a R60 000 bond. From December, he will have to earn R3 520 to qualify for the same bond. And if the rate rises to 18 percent his earnings must rise to R3 703 a month.

At an 18 percent rate, the maximum bond a man earning R2 726 a month could get would be R44 150 — a drop of 20 percent on what he could have borrowed in January.

It means the maximum amount a man with a R20 000 deposit and an income of R2 726 can afford to pay for a house is now around R64 000, which is about 20 percent less than the R80 000 he could pay in January.

The big question facing the property market now is to what extent house prices will drop.

It seems likely that lower-price houses may be harder hit than those in the upper market.
Steyn quits top UF job

Own Correspondent

JOHANNESBURG — Mr Jan Steyn is to retire as chief executive of the Urban Foundation (UF) as from March 31 next year, but will remain as chairman of the organisation, a statement said yesterday.

The statement said Mr Steyn would remain chairman of the board of directors in an honorary capacity and would continue to play a key role in major policy areas for the foundation.

Mr Steyn will be succeeded by Mr D L van Coller, who joined the foundation as managing director in September last year.

Mr Van Coller had a long career, from 1963 to 1980, in personnel and industrial relations at Anglo American, from which he was seconded to set up the Institute for Industrial Relations.

Mr Steyn was confident the foundation would continue to increase its positive influence in South Africa.

"I look forward very much indeed to going on serving as chairman to the UF and to help to ensure that it makes the greatest contribution possible for the benefit of all South Africans," he said.
‘Budget planning is impossible’

Serious embarrassment for many home owners is arising because of the latest increase in interest rates, Mr Jan Cronje, director of the Consumer Council, said yesterday.

“At a stage when money was freely available,” Mr Cronje said, “consumers were encouraged to move into debt.

“Yet the latest increase in interest rates made nonsense of even the most carefully planned budgets.

“We are seeing a repetition of what happened a few years ago and which is proof that discerning planning is all too impossible.

“Although the consumer council understands that consumer spending must be curbed for the sake of the economy, the question arises as to whether it wouldn’t be advisable to apply these measures exclusively to new bonds and credit agreements.

“This will enable consumers to stay within their budgets,” says Mr Cronje.

Consumers are advised to negotiate for a fixed interest rate. — Sapa.
Companies warned to probe housing schemes

EMPLOYERS who hurriedly negotiated unsatisfactory housing schemes for blacks have been warned they might be contributing to frustration among employees.

SPT housing consultants Jonathan Tonkin added in an annual industrial relations review, published by Steuart Pennington and Associates, many schemes had been structured to serve the financial interests of the employer rather than needs of employees.

The result was a scheme which benefited few workers.

Tonkin said housing schemes had to address several crucial issues and even availability of land or housing was often ignored.

He added it was also essential that financing agreements provided for 100% loans because many employees were unable to provide even a 10% deposit.

Many financial institutions will not grant loans of less than R30 000 so lending criteria had to be evaluated in advance.

Employers also had to ensure the chosen financial institution considered total household income when assessing applications. Managements should also help employees when applying to the state subsidy interest scheme.

Tonkin said employers should help in financing the costs of acquiring property and, finally, give assistance with legal and administrative procedures and contract evaluation and supervision.

Failing these, said Tonkin, employers would find themselves shouldering the blame for the activities of unscrupulous housing contractors.

Housing, he said, had become a national imperative and the state was shifting the responsibility for the provision of housing to the private sector.

Employees were aware of inadequacies of the housing system and expected their employers to help with housing.
Rental arrears reach R435m, says bureau

Political Correspondent

Arrears in rentals and service levies in black areas had reached R435 million in May this year, with R333 million owing in the Witwatersrand alone, according to the Bureau of Information.

A progress report, "Counter-Revolutionary Action Plans", notes that arrears in rentals and service levies should not be ascribed to civil disobedience only.

For example, in the 1978-79 financial year arrears in black residential areas already amounted to R10.6 million.

The report describes the current arrears in the Witwatersrand area as "the result of an orchestrated campaign of civil disobedience to express displeasure at the government".

At the regional level, the West Rand (R292 million) and the East Rand (R41 million) showed the greatest arrears in rentals.

Within these two areas, Soweto (R153 million), Deep Meadow (R41 million), Lekosa (R77 million) and Tembisa (R17 million) have the greatest arrears in rentals and service levies.
Study on housing for blacks

Political Correspondent

A further 200,000 houses would have to be built at a cost of R2 700 million every year until the end of the century to eliminate the backlog in black housing, according to estimates by the Building Research Institute of the CSIR.

CSIR estimates put the current backlog at 736,000 housing units. In 1986 the public and private sectors together were able to erect 25,000 houses.

According to the SA Housing Trust, the combined capacity of the home-building industry in South Africa is 70,000 houses a year.

From January 1, 1986 to June 1986, 414 hectares were isolated for black urbanisation, ministerial approval has already been obtained for a further 12,089 hectares and about 17,203 hectares were currently the subject of investigation for that purpose.

The approved areas will accommodate about 483,000 housing units.
Surge in the sale of homes in black areas

THE sale of houses in black urban areas has surged dramatically, according to government figures.

EDYTH BULBRING

A recently de-classified Joint Management Centre document released by the Bureau for Information records that 167 713 of the 366 964 homes in black areas identified for potential sale had been disposed of by June.

In the Witwatersrand area, the total number of houses available for sale in June was 217 956. Of these 49 136, or 22.5%, had been sold. Houses were selling at a rate of about 600 a month.

The report compares this with the position in 1986 when houses in the Wits area were being sold at about 200 a month, the result of a successful campaign against home-buying by "radical elements".

The most success appears to have been achieved in the far-northern Transvaal, where the document says 100% of the housing stock (14 000) had been sold by June. The least success has been in the western Cape. By June only 10.2% of the housing stock had been sold.

The Urban Foundation's Michael Morkel says the improvement is due to government's active marketing approach and an increase in the buyer's discount from 45% to 65%.

He says the labour movement, which came out strongly against home-ownership in 1986, when the rent boycott was at its peak, had softened its attitude this year and this could also account for the increase.

The document, using the lowest CSIR estimate, sets the backlog in black housing outside the self-governing territories at 574 000.

Morkel says the UP's estimate is 800 000. He points to a recent statement by Constitutional Development and Planning Minister Chris Heunis that the backlog was about 703 000.
Black housing scheme developers under fire

CONTROVERSY surrounds the focus of developers on up-market black housing schemes which fail to address the housing shortage at the lower end of the market.

One such development is the Alexandra East Bank project, perched on the hilltop overlooking the township.

The development comprises 700 houses, of which 34% are in the R30,000 to R50,000 bracket, 42% in the R50,000 to R80,000 category and 24% are at the top end of the market.

"Although the top end is a little thin, sales have gone down extremely well with Alexandra residents," says Raliegie Housing Transvaal MD Ian Gibbs.

But Business & Marketing Intelligence director Jan Strauss says creating upper- and middle-class suburbs is ridiculous, when the real housing problem is in the R10,000 and below range.

"People who talk about the great strides being made in facilitating the housing shortage are misleading the public," says Strauss.

"Two problems need to be addressed: building societies must endeavour to finance low cost housing and blacks have to learn to accept alternative forms of housing — not the best or nothing," he says.

Firm senior GM Hugh MacIachlan says the society has no problem financing any loan, as long as the occupant can afford to pay it back.

"Anyway, as far as we are concerned the housing problem is across the board and relative to the area," he says.

M & R housing director Gavin Hardy says up-market projects will fulfill a vital function of motivating township residents towards a better lifestyle.

Titus Gumede, an Alexandra resident who has bought a house, supports this view: "Having something to strive for is going to change everything for us."

Alexandra Town Clerk Fletch Genis says the majority of people want the council to build their houses, although free rein is given to those who wish to do it themselves.

Regulation

"The biggest problem in Alexandra is a land shortage, with no room for real expansion, as the township is surrounded by industrial sites and a motorway," says Genis.

Excessive government regulation has failed to take cognisance of the role housing can play in creating social stability.

"Providing housing for the needy can pave the road to stability and at the same time avert a revolution," says Gough Housing MD Frank Berkeley.

This view is supported by SA Housing Trust MD Joe Taylor, who sees better living conditions as the catalyst to an economic and political revival.
Blacks pay more than R100m for township houses

Units, have been sold leaving a stock of just over 162,000 houses.

Prices, Weiss said, ranged between R5000 and R5,000 which included ownership of the plot of between 200m² and 300m².

The prices paid merely covered the actual cost of construction. Bonds were available for potential black homeowners at building societies and other financial institutions.

"The houses are being sold at bargain prices and more and more blacks are beginning to see the sense of buying one," Weiss said.
'Paternalism must go'

Staff Reporter

Transformation of the economic system through a process of inward industrialisation and development was not only necessary, but very feasible, the president of the Association of Building Societies of South Africa, Mr Bob Tucker, said in London today.

Addressing an international housing finance conference, Mr Tucker said the survival, let alone future prosperity of South Africa and its people, was as dependent on such economic transformation as it was on the transformation of the political system.

Indeed the two are complementary, the transformation of the one is not possible without transformation of the other, Mr Tucker said.

'Paternalism, separation, confrontation and authoritarianism will have to be relegated to the junk heap if the country, its people and the values we hold dear, are to survive and prosper,' he said.

'If we can establish a vibrant housing process, not only would the need for 'home' be satisfied, and the family unit be protected, but capital formation amongst previously deprived communities would commence, jobs would be created on a massive scale, the domestic market for building materials and household goods and appliances would be stimulated.'

'Obviously the establishment of the necessary housing process, and it must essentially be understood as a process, depends upon much more than just finance. A fundamental change in systems, methods and above all attitudes, is required.'

'Distortions resulting from the Land Act and the Group Areas Act severely inhibit the establishment of the type of process needed and must be repealed,' he said.

Mr Tucker said housing in South Africa was bedevilled by a long history of privilege, prejudice and discrimination.
Upgrade informal homes, 'and don’t demolish them'

BLOEMFONTEIN — SA did not need a Prevention of Illegal Squatting Bill, Urban Foundation MD D L van Coller said yesterday.

Addressing the foundation’s conference here, Van Coller said what was needed was an "Informal Housing Bill" which would recognise informal housing as part of the national housing stock and promote upgrading, not demolition.

The proposed Bill would ensure access to serviced land for the poor.

The foundation estimated there were about seven-million people in informal housing and shelters in the urban areas.

"It is clear that, on the basis of affordability, most South Africans will not enter home-ownership through acquisition of a formal house."

Professor E P Beukes, of the department of economics, Free State University, said about 75% of the total number of black households in Region C and 45% of coloured households — Region C covers the SA and non-SA areas of the Free State — received less than, or just equal to, the minimum income required for the most basic necessities, while all whites received more than the minimum amount.

Beukes was presenting an economic profile of Region C at the conference on demography, economic opportunities and education. — Sapa.
HELP FOR BUILDERS

The newly-formed Professional Builders Federation, aimed at easing the housing shortage in South Africa, is to be inaugurated at a meeting at Crown Mines on Saturday.

The federation has been formed to provide black builders and merchants with skills and training according to the federation's public relations officer, Mr. Keith Laskey.

He said the federation would also provide operators with the advantages and support usually only available to larger companies and organisations.

"The theme of the meeting on Saturday will be the role of the emerging professional small builder in the SA housing crisis," Mr Laskey said.

Delegates from all over the country are expected to attend the inaugural meeting which will be addressed by representatives from the Urban Foundation, the National African Federation of Chambers of Commerce, the South African Housing Trust and other organisations.
HOUSING SUBSIDIES

Sliding into sense

In the face of an increasing number of sectoral appeals for housing assistance, or some form of tax rebate on existing home loans, government is apparently rethinking its housing subsidies.

The SA Housing Advisory Council, which advises the ministers of housing, is investigating the question of assisted housing as a priority issue.

The FM understands that, as early as January, it could recommend a sliding scale system of housing subsidy based on means tests. At the lower end, those earning between R100 and R400 a month would probably pay 2% of the interest payable on a mortgage bond, with the balance made up out of State funds.

Like the first-time buyers' subsidy now available, individual subsidies would probably be phased out over seven years.

Such a scheme has the advantage that it would put housing funds at the disposal of those who most need them, without distorting the economy through the need to keep interest rates artificially low.

It also has the advantage that it could be administered across the board, possibly by a single housing ministry, without the political vested interests of the various housing authorities coming into play.

CSIR Building Technology economist Tobie de Vos says: "An inevitable consequence of most forms of housing subsidy is to increase the demand for housing by improving the ability of people to afford, not only a first home, but also larger and better homes."

This, he says, leads in turn to increases not only in the number but also in the size and standard of housing units. Consequently, prices and rentals rise, leading to demands for higher subsidies.

Eventually the effectiveness of the original subsidies, intended to lower the housing costs of the needy, is eroded.

This trend has been seen very clearly in recent weeks. As the bond rate rose, so did the number of appeals for special consideration under current subsidy schemes.

The Public Servants' Association wants the budget allocation for interest subsidies payable on public servants' home loans raised. It also wants the R50 000 ceiling on such loans raised to a more "realistic" level and a uniform interest rate subsidy to apply at all income levels. At present, lower income earners are subsidised down to 3% and others down to 4.5%.

The Teachers' Federal Council has requested the exemption of its members' existing loans from increases in interest rates, claiming that any positive effect of salary increases for teachers would be "seriously impaired" by higher interest charges.

At the same time, government has raised the base interest rate on which the first-time buyers' subsidy is paid from 13.5% to 16% — and says this will be adjusted upwards as interest rates continue to rise.

The subsidy has, since August, amounted to 33.3% of the interest payable on a bond of R55 000 or less, covering the purchase of both the stand and a new house.

Government has already encountered criticism of this adjustment, which effectively diminishes the curbs it hoped to place on the economy by allowing interest rates to rise in the first place.

Besides, as De Vos says: "General subsidies, such as those paid to State employees, often enable households to afford homes of a higher standard than they would otherwise occupy." He argues that general subsidies should be reduced and gradually replaced by specific subsidies which relate more directly to the ability to pay. "Specific subsidies are particularly relevant to low-cost housing finance."

Earlier this year (Propety May 27), government attempted to make it clear that it wanted expectations of increased housing standards contained. Building costs, including wage increases and material price increases, are under scrutiny in a specific effort to keep private sector developers and builders in the low-cost housing market.

It has also become apparent that the upper level of the black housing market, in the R40 000 to R60 000 range, is fast becoming saturated.

The need is to find not only economic means of delivery in the low-cost, mass housing sector, but to find effective ways to encourage the purchase of low-cost houses.

While banks and building societies are being pressed to finance homes built to Nanta tagged rather than National Building Regula-
Bear outlook on housing

PERSONAL FINANCE

Houses prices are not
talked about in real

But it’s not
does not

Says report
All square

Now building societies no longer have to fight their way up a sharp yield curve to find funds, they can compete on equal terms with banks. The outflow of liquidity during 1988 has raised the cost of short-term money, increasing cost of banks' (largely short-term) funding, eliminating the disadvantage of the longer-term building society books.

So for the first time since banks made their assault on the home loan market at the end of 1986, societies can offer bonds at competitive rates.

Two years ago, with liquidity high in the money markets, banks saw the opportunity to break into the home loan market with mortgages funded by cheap short-term money. They were driven by the fall-off in corporate business, as cash-flush companies short-circuited the banking system to deal directly with each other (disintermediation).

With both motive and means to cut into retail business of building societies, Standard Bank made a determined marketing thrust, undercutting building society mortgage rates of 15% by 2.5 percentage points. First National (which had made an aborted attack on the market some years earlier) followed, while several societies attempted to close the gap by dropping to 14%.

Trust Bank, Volkskas and Nedbank then entered the market. Between them, the five major banks were a serious challenge to the
principle. "Only if a scheme is funded can there properly be a promise-in-advance."

Crucial is the meaning of "funded." While it is theoretically possible to fund a State scheme, the difficulty is to maintain the integrity of the accumulated fund, without which the concept of funding is "nonsense."

Said Fabian: "The fund must be a real fund invested in real assets additional to those that would otherwise have been created. For, if the income of the fund is used as it arises to meet current expenditure, and so-called investments are nothing more than government paper receipts, then the productivity of the fund is a fiction."

SA's State fund now sits with this dilemma. But there is a solution that, according to Fabian, "requires difficult political decisions. Consumption must be reduced and large numbers of workers switched from consumption to capital industry."

"The State could run a funded scheme for a small section of the community, but not the whole community—unless there was a wave of resolution among its citizens comparable to that evoked by war."

So nobody should be impressed by any partial funding of the liabilities of the State fund—unless the assets are real assets.

Fabian noted the recent statement of a senior government official that the deficit of the fund is not a problem—it is simply a matter of "making a book entry"; in other words the fund is credited and the national debt is debited. This, said Fabian, is patently incorrect, given that the State fund has to have real assets to have a real future.

"The true costs of the fund are the costs of providing real benefits for real people that will have to be paid in due course in hard cash. Even a book debt will require servicing—an aspect that was not mentioned (by the government official). It also has to be redeemed one day, unless we are again to meet it on the never-never."

"The problems," said Fabian, "have arisen partly because government officials decided to stop taking actuarial advice, so they did not know what benefits were costing."

This has changed, of course, but the problems are a long way from being solved. Fabian said that the best conceptual way of finding a solution is by recognising that equity is more important than the letter of the law. It will need tremendous political will.

SHORT-TERM INSURANCE

Marginal dip

In 1987, short-term insurers' solvency margins—the crucial ratio of free reserves to net premium income (NPI)—fell to 43.1% from 45.3%, according to a survey of 20 insurers by Quest Consulting Group.

Margins of two companies, Sentraaboer and Stangen, were below 15% (see table), though they have since improved. Sentraaboer's rose from 10.4% to 24.4% after receiving an R8.3m capital injection (from 1987's R6.2m), while Stangen increased its capital base to R12.5m from R6m. This is expected to bring its solvency margin to 20%-25% from 1987's 10.4%.

Margins, according to Willem Heckroodt, assistant registrar, short-term insurance, also improved during 1988. The dip in 1987 was largely due to absorption of AA Mutual's business after its liquidation, says Heckroodt. This brought an increased flow of premium income without an equivalent rise in net assets.

He cites two other reasons for the decline during 1987: the rising value of insurance cover due to inflation, and a 7.5% devaluation of assets as a result of the fall in equity values in October.

Solvency margin requirements will rise next year, following recommendations in April by the Melanet Commission of Inquiry into AA Mutual.

Quest chairman Denzel Curgunven pinpoints three recommended changes.

☑ Reserves for claims incurred but not reported are to be increased to 7% of NPI from an average of 4%-4.5%. "This was not a fixed requirement in the past and varied from company to company," he says.

☑ A catastrophe reserve of 2% a year, for five years, is to be introduced to build up a 10% annual catastrophe reserve; and

☑ The method of calculating unexpired premium reserve is to be changed. Companies will be permitted to subtract commission but not expenses from all premiums received.
societies. They were soon taking a larger slice of new business — in each of the first three quarters of 1988 banks granted mortgage loans more than 1.5 times the value of building society loans.

October and November, however, may have seen some shift in lending patterns. Already Saambou has experienced a fall-off in redemptions, says GM Hennie Prinsloo, which he attributes to a drop in cancellations as fewer loans are switched to banks.

Whatever may have happened in the past quarter, December could prove a turning point, as recently announced rate increases come into force. By then, at least two banks will be charging 18%, while rates of all but one society will be no higher than 17%.

The gap may be fortuitous rather than intended, as societies’ rate increases were announced before the recent two percentage point increases in Bank and prime rates (to 14.5% and 18%). Banks, on the other hand, made announcements on mortgage rates after the larger than anticipated move in the two key lending rates. So societies may yet announce further increases, bringing them into line with the banks.

However, if the yield curve, already virtually flat, turns negative, they will have the advantage of cheaper money stashed away in their longer-term books and may well be able to undercut the banks.

All the institutions, of course, will be facing problems inherent in this phase of the economic cycle. As cheap loans become expensive, some householders will fall into ar-
Legal director warns on illegal squatting bill

PORT ELIZABETH. — If passed, the Illegal Squatting Amendment Bill — to be debated in the President's Council this week — will lead "with absolute certainty" to situations similar to what are now occurring in Boksburg under the Separate Amenities Act.

"Places like Boksburg will run riot demolishing houses," said Mr Geoff Budlender, director of the Legal Resources Centre.

He was replying to a question at the Human Rights Conference in Port Elizabeth on Saturday.

The government, Mr Budlender said, had created the legislation which would now be "used in ways it doesn't like".

He said in terms of the bill, all powers would rest in the hands of local authorities.

He predicted that the legislation would "enable the Conservative Party to run riot in urban and rural areas".

"You are going to find vast numbers rendered homeless with no recourse at all."

"The government will express shock and horror and astonishment."

The bill, he said, was "frightening" because it represented the wrong attitude to urbanisation, which had led to a huge demand for housing in South Africa.

He said it sought to smash houses rather than to let those that had been built remain. What was needed was to make large areas of serviced land available for housing development.

In reply to another question, Mr Budlender said there was a need for the private sector to take a "broader and longer" view of trade unions to protect human rights in the long-term.

He was referring to the "attitude of a large portion of the private sector to the Labour Relations Amendment Act", which he said would weaken the unions. It would be a backward step after the "significant development" of the unfair labour practice.
Buying a house is 35% cheaper than building.

Home subsidy misses target.
Smaller houses are the market trend — United

By Frank Jeans

The demand for smaller houses is on the increase as medium and larger homes became "less affordable", said the United Building Society in its Housing Review.

House prices rose by an average of 13 percent during the third quarter of this year, according to the United.

The average cost of a medium-size home is about R89 000, while the mean price for small houses is R70 000.

Average price for larger homes has risen to nearly R124 000.

An indication of the spiralling building costs is also seen, with the United reporting that the construction of a medium-size house today would be about R116 000, while an existing house of the same size would be valued at R86 000.
Need for financing of cheaper houses

NO MECHANISM has been created to bridge the gap between housing demand and financing at the bottom end of the market, says Bilsa chief Neil Fraser. "At the lowest levels minimal profits are causing leading institutions to shy away from the real housing shortage," he says.

The Urban Foundation's Mike Monk says the land availability problem of a few years ago has been superseded by a lack of finance.

The lack of finance in the R20 000 and-below category has forced the SA Housing Trust to take matters into its own hands, says its MD Joe Taylor.

Khayalethu Home Loans, a subsidiary of SA Housing Trust, has been formed to plug the financing gap at the bottom-end of the market.

Standard Bank deputy GM housing loans Terry Power says the bank has come to the assistance of the Housing Trust by offering its administrative and collection services.

"However, a concerted effort by the private and public sectors is urgently needed to solve the housing problem," he says.

Perm deputy MD Brian Kenney says it is also imperative that employers show more initiative.

First National deputy MD Barry Swart says the risks and administration at R20 000 and under, puts into a precarious position banks which are motivated by profits.

"Yet a united front of financial institutions and life offices can finance this type of housing through a bond purchase scheme," he says.

See Page 4
Soaring building costs could justify entering the housing market now

CITY DEVELOPMENTS CONTINUE: This artist’s impression shows Diagonal Street, Johannesburg.

BUY NOW, PAY LATER

MANY prospective homeowners have been deterred from buying by recent interest rate rises, but soaring building costs could justify present purchases, writes UDO RYPSTRA.

In January 1981, the building cost index of the Bureau for Economic Research of the University of Stellenbosch, based at 100 in 1970, stood at 492. Now it stands at around 490, meaning that in the past six years the cost of building a home has increased by more than doubled.

According to the United Building Society, existing houses are about 12% cheaper than new homes during the first quarter, and increasing in value by an average of 13% a year.

The gap between new and existing housing costs was narrowing until the shock interest rate increases.

Most homeowners have seen their interest rates rise by more than 10% this year to 20%.

On the average bond of R50 000, instalments increased from Rs83 to R72.

That is R260 a month extra — a severe dent in any middle class family budget.

Seduced

Many buyers were seduced by banks into spending more than they could afford on housing. Some took 100% bonds and now face a severe cash squeeze.

Bifsas forecasts building costs will rise by more than 20% this year, lending credence to the claim by estate agents that purchasing a home is a hedge against inflation.

There’s no doubt, however, that real mortgage interest rates around 5% make home ownership that much less attractive.

No relief is in sight, as inflation and interest rates are expected to increase by more.

The BER’s latest report (November), the inflation rate has been in a downward trend since the beginning of 1985, when it peaked at 30.7%.

CITY DEVELOPMENTS CONTINUE: This artist’s impression shows Diagonal Street, Johannesburg.

The BER’s current outlook for private residential investment is less optimistic than previous forecasts, and it now anticipates a growth of 5.1% in real terms for 1985 and zero growth for 1986.

Nevertheless, the private residential market experienced a marked recovery since mid-1985, mainly as a result of increased salaries and wages in the private sector, relatively low interest rates and the free availability of housing finance.

Bifsas expects the growth rate in residential investment to be about 5% for this year, but is more pessimistic than the BER for next year, when it expects a growth rate of only 4%.

On the non-residential side, building cranes have been towering over South Africa’s major cities again this year, but are likely to disappear slowly as work in hand is completed.

Construction activity was sluggish during 1987, when a negative growth rate of 4.5% was recorded.

Business picked up during late 1987 and this year with new investment in non-residential buildings manifesting itself largely in the form of additions, alterations and refurbishment of existing buildings, such as is happening in Johannesburg’s financial district.

In addition, the trend towards decentralisation continued, especially in greater Johannesburg, where the exodus to the northern suburbs is continuing, and in the Cape Peninsula, where businesses are moving to both the southern and northern suburbs.

Drop

Real domestic fixed investment in buildings declined marginally in 1987 after a sharp cumulative drop of 24% during the previous two years.

But as Bifsas reported earlier this year, investment in building as a ratio of total gross domestic fixed investment has increased, currently hovering between R7 500-million and R9 000-million.

Bifsas believes the spending has reached a turning point and will decline gradually until it reaches a nadir in the second half of 1990.

But the downturn is expected not to be as severe as the one in 1984/85.

The first signs of the downturn are already visible. The business confidence of architects and quantity surveyors is normally a first indicator of what lies ahead.

The latest survey by the BER reports an anticipated downturn in its previous survey has started and there are a lot less projects at sketch stage than a year ago.

Projects at hills of quantities stage are also reported to be much fewer than the third quarter of 1987, when they were at their best.

Satisfied

The number of contracts awarded has also been following a downturn since the first quarter of this year, when they were at their highest.

Contractors are still reporting that they are satisfied with business, but the BER warns that the underlying growth rate seems to have deteriorated and prospects look bleak.

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Black townships owe R475-million

JOHANNESBURG. — The Bureau for Information has released a document claiming that a number of black townships owe about R475-million in rent and service charges.

According to the document, townships on the Witwatersrand alone owe more than R360-million.

It said a concerted effort would have to be made to recover the money, but did not elaborate.

Mr Ndziazi, who was preparing a statement on the figures, said his council was planning to sue the mayor, Mr Z.B. Ndiza, who said it was much less.

“We do not even know where they got the figures because neither my council nor town treasurer was consulted.”

The breakdown of amounts owed by each region is: Eastern Province R87-million; Orange Free State R322-million; Northern Cape R39-million; Eastern Transvaal R6-million; Natal R2-million; Western Transvaal R2-million; Northern Transvaal R17-million; Far Northern Transvaal R239-66.

And the Witwatersrand area R101-million.

Soweto takes the lead among townships in arrears with R167-million. Lekoa owes R62-million, Diepmeadow R66-million and Mamelodi R14-million.

The bureau said the arrears on the Witwatersrand were the result of a civil disobedience campaign to express displeasure at the government.
Bleeding pockets for house-owners

PEOPLE tempted by low interest rates to buy property are bleeding.

Monthly mortgage repayments on an R80 000 loan have increased by more than 22% — or R200 — since the beginning of this year.

This is the effect of the rise in mortgage rates — from 12.5% last January to 16% by the end of October — says the United Building Society's quarterly housing review.

Prospects

Repayments on a similar loan will have risen by another R60 a month by the end of the year because most financial institutions have given notice that mortgage rates will be increased to at least 17%, says the review.

It forecasts that interest rates will remain under pressure while economic conditions require a restrictive monetary policy stance in the next few months.

"If deposit rates rise sharply in this environment, a further rise in mortgage rates in the near future cannot be ruled out."

Prospects are not bright for house-price increases to outstrip inflation next year.

The cooling of the economy and higher mortgage repayments will have a dampening effect on the property market.

"As the inflation rate is likely to average 15%-15% over the next year it is unlikely that the percentage increase in house prices will outstrip the rate of inflation."

At the same time building costs will continue to rise because of higher labour costs and price increases for materials. This will strengthen the move to building smaller houses.

House prices increased by an average 13% year-on-year in the third quarter of this year.

The average price of a medium-sized house is now about R20 000, says the United Building Society. Small houses cost about R70 000, but the average price of larger ones moved from R120 000 to R134 000 in the third quarter.

Differential

The price differential between new and existing houses widened in the three months.

The review says it would cost about R178 000 to build a new medium-size house while a similar existing house would sell at R68 000 — a 35% differential compared with 22% at mid-year.
HOUSE PRICES

Still a good buy

House price rises have overtaken the inflation rate and while this is likely to be only a temporary phenomenon, home ownership must still be a good investment for those who can afford it.

However, fewer people can afford a home of their own. Those that can are doing so by buying smaller dwellings — something that has been predicted would have to happen if SA is ever to meet its housing needs.

This emerges from quarterly statistics released by the United. They show that while on a year-on-year basis home prices increased 13%, this year's third-quarter increase was 4% (16% on an annualised basis).

Given that most people, when they buy, have only a 20% stake in the property means that a 10% rise in property value will gear the improvement in the property owner's investment to 20%. In monetary terms that means a potential 50% increase in the bond holder's yield for every 10% rise of property value (a buyer's R30 000 mortgage deposit on a R100 000 home would turn to R30 000 if the buyer sold the dwelling for 10% more at R110 000).

It also emerges from the United figures that the gap between new and established house costs is widening. A new medium-sized home costing in the region of R116 000 compares with R86 000 for the equivalent established dwelling — a 35% price differential, compared to 22% in the second quarter.

United attributes the growing disparity to rising building costs (increasing at 13%/year).

"As a result," says United, "medium and large dwellings are becoming less affordable, and more than 50% of mortgage loans granted in respect of new homes are for units smaller than 140 m²."

What the United does not say is that if the average building cost is 13% and the builders have said that material costs are rising by an annual average of more than 20% then it means the contractors are probably pinning down tender prices in order to win work.

However, if there is an improvement in the building market then overall building costs will rise dramatically, further increasing the differential between new and established homes.

But that doesn't seem likely in the shorter term. United points out that mortgage rates, being more likely to rise than fall in the short term, together with the cooling of the economy, will have a dampening effect on the property market.

Says United: As the inflation rate is likely to average 15%-16% over the next year it is unlikely that the percentage increase in house prices will outstrip the rate of inflation.

"During the same period building costs will continue rising because of higher labour and materials costs and this will strengthen the move towards the building of smaller homes."
In a year in which the focus has been on housing our people, many building methods have been put forward as a way to overcome the great housing shortage. Innovative building methods are the responsibility of the little-known Agreement Board of SA, and in this report NORMAN CHANDLER explains the workings of this important body.

Thousands of builders are taking a well-earned rest after a hectic year constructing houses and office blocks, but that doesn’t mean many thousands of other people have put on hold their complaints about shoddy building methods.

Some construction companies have this year come in for criticism about building methods they have used, while others are accused of using inferior materials which may have caused problems, but that sit askew, and poor finishing.

But they can take heart. There is an organisation in Pretoria which is the watchdog for methods and materials in Pretoria — the little known, at least to the general public, Agreement Board of SA.

The board’s role is to evaluate innovations in the building field. It includes building systems — such as timber-frame housing or precast concrete systems now being used in the mass-housing field — and building materials such as paint, waterproofing, piping, fittings and building blocks.

If the innovation is suitable for local conditions, it is granted an Agreement certificate, which also outlines the levels of performance that can be expected and which aspects of the national building regulations are satisfied by the innovation.

There are two series of certificates — the Agreement certificate, which comes in three parts covering evaluation and confirmation of particular building methods; and the Mantag (an acronym for Minimum Agreement Norms and Technical Advisory Guide).

Some of the country’s top building companies hold the 47 Agreement certificates that have been issued to date. The certificates cover a wide selection of products used in the construction industry. A Mantag is intended to provide guidance for those who are considering procuring, regulation of construction and use of types of houses and structures — and has been found to be ideal for the rapid housing construction scheme being undertaken in SA.

To obtain a Mantag certificate entails a lot of work on the part of would-be building innovators — and even then, a local authority could refuse authorisation for a house to be built using the innovation for which the certificate has been obtained.

Innovators seeking a Mantag have to provide full specifications of materials, manufacture, erection procedures, drawings and, if possible, layouts of dwellings.

The Agreement Board says that houses built in accordance with a Mantag will be fit for habitation (including safety and health regulations).

It must be noted that, in general, the criteria are intended to permit a lesser level of performance than would be expected from buildings erected in terms of the national building regulations, the board says.

The board has provided The Star with specifications for three typical Mantag certifications aimed specifically at the low-cost market.

One of the best known is the Zenzeh building system, for which the certificate is held by the Cape Provincial Council for the construction of what it terms “single-storey simple houses.”

This system calls for earth floors, treated timber poles, roof sheathing, a foundation of hollow concrete blocks or cement and soil blocks, and walls of steel mesh filled by a soil/clay mixture, and plastering of walls.

A Mantag has been issued for the Pretoria-developed Sten building system, which is of walls constructed of corrugated cardboard to which wire mesh is fixed. Both sides are plastered, and the rest of the house is of conventional materials.

Panel Proud Homes, of Cape Town, holds a Mantag for a house in which the walls are of polystyrene placed between steel sheeting, suitable for detached single-storey houses. These houses may not be suitable for the coastal and temperate interior areas.
In a year in which the focus has been on housing our people, many building methods have been put forward as a way to overcome the great housing shortage. The noise, however, seems to be coming from those who are not building methods.

Thouands of builders are taking a well-earned rest after a hectic year constructing houses and office blocks, but that doesn't mean many thousands of other people have put on hold their complaints about shoddy building methods.

Some construction companies have this year come in for criticism about building methods they have used, and others are accused of using inferior materials which, say house owners, result in repairs having to be done — usually at the owner's cost.

Owners, and probably many of the people for whom homes are being built, will continue to grapple with shoddy building methods — toilets that don't flush, walls cracks, window frames and doors that stick, and poor finishing.

But they can take heart! There is an organisation in Pretoria which is the watchdog for methods and materials — the little known, at least to the general public, Agreement Board of SA.

The board's role is to evaluate innovations in the building field. It includes building systems — such as timber-frame housing or precast concrete systems now being used in the mass-housing field — and building materials such as paint, waterproofing, piping, fittings and building blocks.

If the innovation is suitable for local conditions, it is granted an agreement certificate, which also outlines the levels of performance that can be expected and which aspects of the national building regulations are satisfied by the innovation.

There are two series of certificates — the agreement certificate, which comes in three parts covering engineering and implementation of particular building methods, and the Mantag (an acronym for Minimum Agreement) Norms and Technical Advisory Guide.

Some of the country's top building companies hold the 47 agreement certificates that have been issued to date. The certificates cover a wide selection of products used in the construction industry.

A Mantag is intended to provide guidance for everyone regarding the provision, regulation and use of types of houses and structures — and has been found to be ideal for the rapid housing construction scheme being undertaken in SA.

To obtain a Mantag certificate entails plenty of hard work on the part of would-be building innovators — and even then, a local authority could refuse authorization for a house to be built using the innovation for which the certificate had been obtained.

Innovators seeking a Mantag have to provide full specifications of materials, manufacture, erection procedures, drawings and, if possible, layouts of dwellings.

The Agreement Board says that houses built in accordance with a Mantag will be fit for habitation (including safety and health regulations).

It must be noted that, in general, the criteria are intended to permit a lesser level of performance than would be expected from buildings erected in terms of the national building regulations, the board says.

The board has provided The Star with specifications for three typical Mantag dwellings aimed specifically at the low-cost market.

One of the best-known is the Zemike building system, for which a certificate is held by the Cape Provincial Council for the construction of what it terms single-storey simple houses.

This system calls for earth floors, treated timber poles, roof sheeting, a foundation of hollow concrete blocks or cement and block, and walls of steel mesh filled by a soil-clay mixture, and plastering of walls.

A Mantag has been issued for the Pretoria-developed Slenx building system, which is of walls constructed of corrugated cardboard to which wire mesh is fixed. Both walls are plastered, and the rest of the house is of conventional materials.

Panel Proud Homes, of Cape Town, builds a Mantag for a house in which the walls are of polyurethane placed between steel sheeting, suitable for detached single-storey houses. These houses may not be suitable for the coastal and temperate interior areas.
Schachat warns of buffeting in store for homebuilding industry

The homebuilding industry, after a comparatively good year, could be heading for another buffeting on the back of rising bond rates and declining sales.

Certainly, the setback, which began to settle in during the first quarter of this year, could be aggravated by a further rise in rates. Some sources believe they could hit the 20 percent level.

This bearish view of prospects for homebuilding comes from the scion of the industry, Mr. Riley Schachat, in his year-end message as chairman of the National Association of Home Builders (NAHB).

While he is heartened by the 45 percent surge in the value of building plans passed at the end of the third quarter of this year over the same time in 1987, Mr. Schachat makes the point that the recovery was from a very low base in mid-1986.

"During the final quarter of 1986 conditions have changed rapidly," he says.

"Orders and sales have declined significantly since amended rules for the first-time home buyer subsidy scheme were introduced."

"In addition, the substantial rise in interest rates, signs of escalating inflation and indications of building cost rises approaching 20 percent a year, have had a steadily eroding effect on the market."

Another adverse effect is the cost of services for township development — a trend which must have a marked impact on future land prices.

Mr. Schachat has no doubt that all these factors, along with many other pressures on family incomes, have had material impact on home ownership.

Indeed, information from members of the association's executive committee indicate that the decline in demand stretches across the total spectrum of the market, with particularly severe consequences for the middle-to-lower income groups.

"Because of the low margins on which the industry operates in these sectors, high turnovers are needed to ensure viability and many builders in this market segment are consequently under constant pressure," says Mr. Schachat.

Referring to talks the industry has had with Ministers Anrie Venter and David Currys, the NAHB hopes to see the removal of general perceptions that the industry is over-committed, that profits are high, that stand prices and costs of services can be slashed overnight and that the industry and homeowners can easily adapt to rapidly increasing interest rates.

"Fortunately, the Government, itself a major borrower, appears to be equally concerned about high interest rates," says the chairman.

"However, in many quarters it is still forecast that rates might go as high as 20 percent."

On the plus side, Mr. Schachat sees improvement in the longer term as a result of the following:

● A significant body of opinion that the economy will move fairly rapidly through the current adjustment phase and that it will show greater relative strength than is generally accepted in the months ahead.
● Prospects of peace in the south-western region of Africa.
● Gold shows promise of forming a base around current levels.
● Exploitation of natural resources will play an increasingly important and positive role in the economy.
● There are welcome signs of increased fixed investment in productive capacity.
● Demand pressures in the housing field will escalate because of natural population growth, urbanisation and improved immigration figures.
● Increased exports and accelerated import replacement.
Standard raises home loan rate

SVEN FORSSMAN

Standard Bank is to increase its home loan interest rate by 0.75 percent to 17.75 percent from February 1.

Concessionary interest rates of 16.75 percent and 17.25 percent will continue to apply to Prestige Plan clients whose home loans are with Standard.

Says Terry Power, deputy GM, home loans: "It remains our constant object to maintain a competitive stance in the home loan market. Our home loan rate has at no time exceeded the average rate charged by major building societies."