Radical Economic Transformation
Leveraging the Housing Asset through Trade

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Faces of the City
8 May 2018
Housing and human settlements offer an significant opportunity for South Africa’s effort towards radical economic transformation

26. (1) Everyone has the right to have access to adequate housing.

(2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

(3) No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.


The new human settlements plan reinforces the vision, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing.

Within this broader vision ... the following specific objectives:

• Accelerating the delivery of housing as a key strategy for poverty alleviation
• Utilising provision of housing as a major job creation strategy
• Ensuring property can be accessed by all as an asset for wealth creation and empowerment
• Leveraging growth in the economy
• Combating crime, promoting social cohesion and improving quality of life for the poor
• Supporting the functioning of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump.
• Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring.

South Africa’s housing market

The majority of properties in South Africa’s residential property market fall in the “affordable” category.

There are about 16.9 million households in South Africa and 6.2 million residential properties on the deeds registry.

Over 60% of residential properties are valued at less than R600 000.

About 29% of all properties were financed by government.

If all RDP properties were on the deeds registry, they would comprise about 39% of the market.

Data source: CAHF’s Citymark, using Deeds Registry Data supplied by Lightstone Property

- **The entry market**—properties worth R300 000 or less
- **The affordable market**—properties worth R300 000 - R600 000
- **The conventional market**—properties worth R600k - R1.2 million
- **The high-end market**—properties worth over R1.2 million
But, transformation through South Africa’s housing sector faces three significant challenges...

1. **Limited supply** all over and **housing gap** for the emerging middle class: so hard to get on the property ladder

2. **Declining access to credit** for lower income earners

3. A significant cohort of **first time homebuyers**, without equity, without experience
Limited supply and housing gap

Served: able to access mortgage finance & buy a house on the market

Underserved: insufficient supply to meet demand.

Unserved: no finance nor housing products exist for this market

GAP: no new housing construction / limited rental / very limited resale market for 30% of the population

- 6.9% earn > R30 000/month
- 17.3% earn R10 000 - R30 000/month
- 28.8% earn R3500 – R10 000/month
- 46.9% earn < R3500 /month

Limited supply and housing gap: supply favours the higher end

New housing delivery (new deeds registrations) has declined. A critical gap is in working class housing (blue)
Limited supply & housing gap: market activity (especially resale) also favours the higher end
Declining access to credit for lower income earners: both new & resale

Note: the scale in these two graphs are different: in line with market activity, where there are many more resale transactions than new transactions, far many more loans have been granted against resale transactions than against new transactions.
Bank lending to government-sponsored properties is minimal but still a useful clue

While resale market activity has been growing in the conventional and high-end markets, it has declined in the entry and affordable markets.

The asset performance of government subsidised stock is also limited, with less than about 15 000 formal resale transactions per year, of which less than 2500 are financed with a mortgage – still, this is beyond expectations.
And yet the impact of finance on property transaction values is significant.
First time homeowners are increasingly dominant in the market: limited equity and experience

- **The entry market** — properties worth R300 000 or less
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- **The high-end market** — properties worth over R1.2 million

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**First time home buyers by market segment by year**

**South Africa, 2007-2016**

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*Data Source: CAHF’s Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2016 (sourced February 2018)*
Over 50% of first time homebuyer transactions in the affordable market are bonded: limited equity & experience.
First time homeowners are also prominent in the government-sponsored resale market, and getting bonds: limited equity and experience.
So now what?

1. Limited supply & housing gap for the emerging middle class
   - Increased housing supply
     - Land assembly / public land
     - Catalytic projects
     - Informal settlement upgrading
     - Resale markets offer untapped supply

2. Declining access to credit for lower income earners
   - Leverage existing equity in the market for entry-level households
     - Backyard rental / social housing / inner city rental
     - Inner city regeneration
     - Resale markets offer value-for-money and equity

3. First time homebuyers face particular challenges
   - Transaction support & consumer education
     - Focused attention on Title Deeds backlog
     - Rectification of dead capital / sterile properties
     - Transaction support to reduce incentive for informal, unfinanced transactions & increase value for transactors
Increase supply: resale markets offer value to the gap market

Simple economics suggests housing preferences may change... the resale market and inner city rental offers better value for money.

Entry level new build is far from the CBD (to maximise on lower land costs) and units are very small – not so different from an RDP house (which, today, costs the state about R180k to build).
Increase supply: resale markets offer value to the gap market

We are seeing some formal market activity already

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<tr>
<td>Gauteng</td>
<td>562,042</td>
<td>30.40%</td>
<td>R227,847</td>
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<td>R317,196</td>
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<td>R208,462</td>
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<td>R460,962</td>
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<td>1.04%</td>
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<td>4.22%</td>
<td>R127,970</td>
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<td>R372,250</td>
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<td>Limpopo</td>
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<td>R178,213</td>
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<td>R507,635</td>
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<td>Grand Total</td>
<td>1,849,087</td>
<td>100.00%</td>
<td>R184,442</td>
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<td>R404,780</td>
<td>42,863</td>
<td>2.32%</td>
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Lightstone Data, sourced Feb 2018
Household 1 lives in a shack in Orange Farm, Johannesburg

Household 2 lives in an RDP house in Orange Farm, that they received in the late 1990’s

Household 3 lives in a 2-bedroom flat in Yeoville (80m2)

Household 4 lives a 2 bedroom townhouse in Troyeville

Household 1 sells the rights to their shack for R10 000 and buys a home for R130 000 in Orange Farm.

With that purchase, they are no longer part of the housing backlog, and they have helped Household 2 realise the financial asset value of their home.

Household 2 sells their home for R130 000 and buys a home for R205 000.

Household 3 sells their flat for R205 000 and buys a townhouse for R400 000.

Household 4 sells their home for R400 000, and so on...

Household 1 has R10 000 equity from the sale of their shack. They need a loan of R120 000 to buy this house.

At 13,5% interest over 20 years, and with a repayment of R1500/m, this would be accessible to a household earning R6000.

Or, a household earning earning R3500 could afford the R130 000 house if they accessed the full FLISP subsidy and a mortgage loan of R38 000. This would involve a loan repayment of R500/m over 10 years at 13.5%.

Household 2 has R130 000 equity from the sale of their RDP house. This means they need a loan of R75 000.

At 13.5% interest over 20 years, and with a repayment of R1000/m, this is affordable to a household earning R4000.

They receive no further support from the state.

Household 3 has R205 000 equity from the sale of their flat. This means they need a loan of R195 000.

At 13,5% interest over 20 years, and with a monthly repayment of R2375/m, this is affordable to a household earning R9 500.

They receive no further support from the state.

Household 4 sells their home for R400 000, and so on...

Leverage existing equity through resale markets

Advert sources: www.property24.com
What might the resale market look like? Around 17 properties in Delft, Cape Town, are listed for rent on Gumtree, and around 23 properties are listed for sale. Listed rentals range from R800 for a single room up to R2 500 for a two bedroom, one bathroom house. Selling prices start at R100 000 for a one bedroom, one bathroom house.

### Properties for Rent in Delft
- Currently around 17 properties listed on Gumtree for rent in Delft
- The majority are:
  - 1 bedroom, 1 bathroom flats (40 – 50 m²)
  - Or single rooms to rent in 2 bedroom houses (e.g. 10 m² in 100 m² house)
  - A few properties listed are 2 bedroom, 1 bathroom houses / flats
- Rentals range between:
  - R800 – R1600 for single room in house
  - R900 – R2000 for 1 bedroom, 1 bathroom
  - R1600 – R2500 for 2 bedroom, 1 bathroom
- Deposit requested ranged from around 30% - 150% of monthly rental
- Additional points of interest:
  - Most listed properties were furnished
  - Rent often includes water but electricity mostly separate (e.g. additional R100 – R200 p/m)
  - Some adverts noted that preference would be given to single persons (particularly women) or young couples. Others requested proof of employment

### Properties for Sale in Delft
- Currently around 23 properties listed on Gumtree for sale in Delft
- The majority are houses with:
  - 2 bedrooms, 1 bathroom (80 – 270 m²)
  - 1 bedroom, 1 bathroom (100 – 200 m²)
- Others have 3 bedrooms, 1 bathroom
- The selling prices range between:
  - R100 000 – R180 000 (1 bed, 1 bathroom)
  - R100 000 – R350 000 (2 bed, 1 bathroom)
  - R320 000 – R510 000 (3 bed, 1 bath)
- The sales listed were generally through an agency
- Additional points of interest:
  - A few adverts mentioned that the houses were on large pieces of land that offered the potential for extensions and / or additional properties (e.g. space for up to two additional flats in some cases)
A few properties in Delft are advertised on Gumtree as cash only sales. One agent mentioned the reason for this is because some homes in the area are not in adequate condition to qualify for mortgage loans.

**Why is this house advertised as a cash sale?**

Agent: *With some of these homes they don't have proper ceilings, so then there is no use sending a bond buyer to look because the bank has certain criteria, a check list...when we go evaluate the house, we can immediately see when it won't qualify for a bond.*

- Agent, NMKM Properties Group

**Why is this house advertised as a cash sale?**

Agent: *Some people are in a hurry to leave...to go to the Eastern Cape, they don't want to wait for the bond process. For others they also know that the bank doesn't give bonds for some homes so they have to take cash...*

- Miriam, arranges viewings on behalf of an agent
2

Leverage existing equity through resale markets

**The current process:**

**Matching buyers and sellers**
- Informal agents (commissions of up to 30%, negotiated with seller and buyer)
- Formal agents
- Gumtree/Other property listing services

**Establishing the sale**
- Semi-formal process
  - Buyers and sellers sign an offer to purchase
  - Paralegal prepares deed of sale, reviews title deed
  - Forwards documents to conveyancer
  - Buyer pays conveyancer

**Registering the sale**
- Informal process
  - Seller gives the buyer the title deed document

**Financing the sale**
- Informal process
  - Buyer pays cash directly to the seller, in part or in full in line with a negotiated payment schedule

**CONVEYANCING COSTS: IN LINE WITH LAW SOCIETY SCHEDULE + MORE IF THERE ARE TITLE DEED ISSUES**

**TIMING MISMATCH BETWEEN PAYMENT AND REGISTRATION CREATES RISK**

**SELLER NEEDS THE CASH, DOES NOT TRUST TRUST ACCOUNTS**

**But:**

- Informal process
  - Affidavit

- Semi-formal process
  - 8-12 weeks to obtain the title deed

- Semi-formal process
  - Buyer pays cash directly to the seller, in part or in full in line with negotiated payment schedule
  - Buyer settles arrears and the sales price is adjusted
The formal transaction process is also very expensive

Conveyancing fee on property of R140 000

![Image of a financial document showing a statement of account with details such as date, description of charges, debit, credit, and VAT totals.}]
A fire in a shack damaged a recently purchased house. The purchaser obtained bridging finance to pay for cash for the house. He is waiting for a FLISP-linked mortgage to be registered, and has no insurance in the interim.

The house is in Site B Khayelitsha, which is zoned SR2. This zoning allows households to build shacks, but requires those who build formal structures to obtain planning approval.

A few days after the fire, the City gave the shack dweller materials to rebuild the shack.
In this case study, the conveyancer only required the electrical certificate after the subsidy approval came through (5 months later)

Initial quote for electrical certificate: R3500 (certified electrician)

Final amount paid: R1500 (work done by combination of certified and unregistered electrician)
The formal transaction process is arduous and FLISP has not been implemented well. It is typically applied after the fact, and is not suited to secondary market transactions.

LENGTHY PROCESS, POORLY ALIGNED WITH MARKET NEED
(A case study: Cape Town)

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Pre-approval from Bank</td>
<td>Sept 2016</td>
</tr>
<tr>
<td>Signed offer to purchase</td>
<td>7 September 2016</td>
</tr>
<tr>
<td>Mortgage application</td>
<td>7 September 2016</td>
</tr>
<tr>
<td>Payment to seller (bridging finance)</td>
<td>9 September 2016</td>
</tr>
<tr>
<td>Vacant possession by buyer</td>
<td>10 September 2016</td>
</tr>
<tr>
<td>Mortgage approval letter</td>
<td>22 September 2016</td>
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<tr>
<td>Delivery of subsidy application forms</td>
<td>13 October 2016</td>
</tr>
<tr>
<td>Letter of undertaking: Province</td>
<td>16 March 2017</td>
</tr>
<tr>
<td>Electrical certificate</td>
<td>24 April 2017</td>
</tr>
<tr>
<td>Documents lodged at deeds registry</td>
<td>26 May 2017</td>
</tr>
<tr>
<td>Mortgage payment received</td>
<td>26 May 2017</td>
</tr>
<tr>
<td>FLISP payment received</td>
<td>Pending</td>
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A transactions support centre could spearhead a redesign to create accessible, affordable processes to support secondary sales in lower income markets

- Presale: preparation
  - Advisor who meets face to face with property owners
  - Inspect the title deed and advise on process to resolve issues, refer clients if required
  - Assess property alterations and refer on to City planning department for inspection if required
  - Check electrical installation (photo)
  - Assess rates and facilitate interaction with billing department if required
  - Provide access to data on property prices and valuations in the area
  - Explore reasons for sale and offer alternatives
  - Create a will

- Matching buyers and sellers
  - Online listing service leveraging existing options (alhdc, property24, Gumtree)
  - Referrals to registered agents
  - Affordability and risk assessment (credit histories) to be conducted by the advisor
  - Referral to debt counsellors, other organisations if the buyer has an impaired record or a disputed record

- Establishing the sale
  - Access to low cost conveyancing services (pegged to subsidy allocation??)
  - Panel of accredited service providers who can provide necessary electrical certificates (transparent rates, full disclosure)
  - Access to rates clearance certificates (and possibly an agreement to settle arrears on transfer)

- Registering the sale
  - Rapid turn around time at deeds office
  - Mandatory use of trust account

- Financing the sale
  - Mortgage application
    - Origination service – submit application to multiple lenders
  - Subsidy application
    - Complete subsidy application forms
    - Rapid turnaround on approval

TWO WEEK PROCESS AS A TARGET?
There are a number of key players whose cooperation is required to build and operate this centre

City of Cape Town
- Partnership initiative to establish the centre in Khayelitsha
- Rapid turn-around times on rates clearance certificates and settlement on registration
- Rapid turn-around times on planning inspector site visits & possible ‘warranty’ process with associated documentation on alterations completed without planning approval
- Rapid resolution of rates disputes

Deeds office
- Rapid turn-around times on property registration

EAAB
- Registration process for informal agents
- Development of a market making platform to facilitate transactions
- Engagement with estate agents

Province
- Engagement with the HSS to test subsidy eligibility
- Rapid turn-around times on FLISP or individual subsidy applications (2 week target)

Banks
- Rapid turn-around times on finance applications
- Pre-purchase / pre-sale screening

Conveyancers
- Streamlined process in partnership with the Centre
- Reduced costs
A high level approach: build the centre

Pilot phase (to end June / July)

1. **Stakeholder participation and governance**
   - Identify key stakeholders and engage on prospective activities
   - Identify aligned initiatives
   - Invite participation and secure buy in
   - Establish clear governance structure
   - Outline key commitments, roles and responsibilities for stakeholders
   - Outline reporting and feedback processes

2. **Define vision, objectives and service offering**
   - Agree on range of services to be offered (possibly a phased approach)
   - Negotiate clear SLAs with key institutions (Province, city, banks, conveyancers, bond attorneys) including costs and turn around times
   - Develop a baseline against which to assess performance

3. **Test use case**
   - Process transactions and learn by doing
   - Develop communication material to guide buyers and sellers through the process
   - Develop a communication strategy to highlight importance of formal transaction mechanisms

4. **Define processes, HR & system requirements**
   - Map key client-facing and supporting processes
   - Identify resources required to offer services and run the operation
   - Identify systems required to support processes, link to external parties, manage operations

5. **Develop business case and secure funding**
   - Develop reasonable estimate of costs to establish and run the operation
   - Identify potential funding sources
   - Prepare funding proposal for key funders

6. **Create / launch**
   - Create the organization
   - Publicise the activities of centre widely to generate demand for services

7. **M&E (ongoing)**
   - Analyse individual sales, identify barriers and develop mechanisms to address these efficiently
   - Incorporate additional processes into Centre operating practices
   - Assess implications for:
     - Scale up & launch elsewhere
     - Policy and regulations
     - Finance framework
     - Municipal practice
     - Etc.

**Assessment / decision to proceed**
Transaction Support Centre: where we are now

- Preliminary meetings with stakeholders to the transaction process: estate agents, conveyancers, province (subsidy), city (statutory approvals), lenders
- Desk at Khayelitsha Stocks & Stocks walk-in-centre or local NGO
- Advice officer and conveyancer appointed: process definition

Way forward:
- SLAs with stakeholders
- Detailed process mapping
- Potential for blockchain angle
- Collecting and documenting cases
- Re-establish the al+hdh
Transaction Support Centre: where we are now

Anticipated approach to include:

- Transaction advisor
- Conveyancer
- Programme management, strategic planning
- Consumer education materials
- Systems & process development
- Report back and review

Assumptions:
- 2-4 deals per week in the short term
- No office rental charges
- Donated hardware
Thank you!

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Twitter @AUHF_Housing

Visit the Citymark dashboard
http://housingfinanceafrica.org/dashboards/citymark/

CAHF’s work in South Africa is supported by

[Logos of National Treasury, GTAC, and CTHIES Support Programme]
**In summary:**

A fundamental principle of the housing asset is the ability to use it for trade – homeowners buy and sell property, investing their income and realizing equity while they address their changing housing needs over time. In this way, housing is much more than simply shelter. It is also a critical component of household wealth, and a focus of most households’ savings. South Africa has a vibrant residential property market, which in the past 23 years has developed to serve a growing proportion of our population.

By and large, the residential transaction process in South Africa is well governed. There are clear processes, framed by legislation that both buyers and sellers can follow to find each other, effect the property transaction and realise value facilitated by registered estate agents, conveyancers and lenders. For the higher value market, it is working well and realises value for transacting parties, service providers and the state. In the lower value market, however, property transactions function less effectively: they are difficult for transacting parties to navigate, take longer than is financially feasible for these parties, create more risks, and ultimately (as a proportion of the property value) cost more.

In short, established processes align poorly with the needs of the transacting parties and the overall outcome is compromised. As a result, formal resale transactions in the lower value property market are less common, participation by mortgage lenders is limited, and the potential for property asset appreciation is undermined.

If the residential property market is to work effectively for the breadth of its participants, and if it is to contribute towards the asset wealth of especially its lowest income earning participants, special attention must be given to the constraints that undermine performance across these processes.
A niche opportunity?

New housing supply is down, and new build is unaffordable to the working class: a widening gap. So, harness the equity in the resale market to broaden housing affordability and increase opportunities.

New buyer

Affordable @ 12,25% over 20 years to a household earning R3500 – R7000, without subsidy, or @ 12,25% over 10 years to a household earning R4500 – R9000

First time homeowner, under-valued market, creates effective demand in the gap market.

About one million properties currently on the deeds registry prior to 2008 – therefore eligible for sale.

Potential selling price = R70 000 – R150 000+

Seller becomes buyer with equity

@ 12,25% over 20 years, and with a R100 000 deposit, this house is affordable to a household earning R12 000+, without subsidy, or @ 12,25% over 10 years to a household earning R15 000+

Lower LTV, second-time homeowner, realises opportunity in the gap market.

Opportunity for new mortgage product design

- Smaller mortgage size makes a shorter term possible & changes the economics
- Focused understanding of origination & servicing requirements – niche targeting at specific customer segments
- Targeted risk underpins
- Potential for – but no dependence on - subsidy linkage
Household 1 lives in a shack in Mangaung

Household 1 sells the rights to their shack for R10 000 and buys a home for R175 000 in Mangaung. With that purchase, they are no longer part of the housing backlog, and they have helped Household 2 realise the financial asset value of their home.

Household 2 lives in an RDP house in Mangaung, that they received in the early 1990’s

Household 2 sells their home for R175 000 and buys a home for R380 000.

Household 1 has R10 000 equity from the sale of their shack. They need a loan of R165 000 to buy this house.

At 13.5% interest over 20 years, and with a repayment of R1992p/m, this would be accessible to a household earning R8000.

Or, a household earning earning R4000 could afford the R165 000 house if they accessed the full FLISP subsidy and a mortgage loan of R82 824. This would involve a loan repayment of R1261/m over 10 years at 13.5%.

Household 3 sells their home for R380 000 and buys a home for R565 000.

Household 2 has R175 000 equity from the sale of their RDP house. This means they need a loan of R205 000.

At 13.5% interest over 20 years, and with a repayment of R2475p/m, this is affordable to a household earning R10 000.

They receive no further support from the state, and their home has been bought by a non-qualifier in the gap market.

Household 3 lives in an RDP house in Mangaung that they received in the early 1990’s

Household 4 lives a house in Rocklands, Mangaung

Household 4 sells their home for R565 000, and so on...

Household 3 has R380 000 equity from the sale of their RDP house. This means they need a loan of R185 000.

At 13.5% interest over 20 years, and with a monthly repayment of R2234/m, this is affordable to a household earning R9 000.

They receive no further support from the state.

Sources:
http://bit.ly/2B8gKrR

http://bit.ly/2rBgKrR
Household 1 sells the rights to their shack for R10,000 and buys a home for R125,000 in Delft South. With that purchase, they are no longer part of the housing backlog, and they have helped Household 2 realise the financial asset value of their home.

Household 2 sells their home for R125,000 and buys a home for R280,000.

Household 1 has R10,000 equity from the sale of their shack. They need a loan of R115,000 to buy this house.

At 13.5% interest over 20 years, and with a repayment of R1400/m, this would be accessible to a household earning R7000.

Or, a household earning R3500 could afford the R125,000 house if they accessed the full FLISP subsidy and a mortgage loan of R38,000. This would involve a loan repayment of R600/mover 10 years at 13.5%.

Household 2 has R125,000 equity from the sale of their RDP house. This means they need a loan of R155,000.

At 13.5% interest over 20 years, and with a repayment of R1900/m, this is affordable to a household earning R9500.

They receive no further support from the state, and their home has been bought by a non-qualifier in the gap market.

Household 3 sells their home for R280,000 and buys a home for R450,000.

Household 1 has R10,000 equity from the sale of their shack. They need a loan of R115,000 to buy this house.

At 13.5% interest over 20 years, and with a repayment of R1400/m, this would be accessible to a household earning R7000.

Or, a household earning R3500 could afford the R125,000 house if they accessed the full FLISP subsidy and a mortgage loan of R38,000. This would involve a loan repayment of R600/mover 10 years at 13.5%.

Household 2 has R125,000 equity from the sale of their RDP house. This means they need a loan of R155,000.

At 13.5% interest over 20 years, and with a repayment of R1900/m, this is affordable to a household earning R9500.

They receive no further support from the state.

Household 3 has R280,000 equity from the sale of their RDP house. This means they need a loan of R170,000.

At 13.5% interest over 20 years, and with a monthly repayment of R2100/m, this is affordable to a household earning R10,500.

They receive no further support from the state.

Household 4 sells their home for R450,000, and so on...

Sources:
https://www.privateproperty.co.za/for-sale/western-cape/cape-town/bellville/delft/T1225789
https://www.privateproperty.co.za/for-sale/western-cape/cape-town/bellville/delft/T1297382
https://www.privateproperty.co.za/for-sale/western-cape/cape-flats/khayelitsha/2-khayelitsha-sections-street/T1331209
Household 1 lives in a shack in Orange Farm, Johannesburg.

Household 2 lives in an RDP house in Orange Farm, that they received in the late 1990’s.

Household 3 lives in a 2-bedroom flat in Yeoville (80m2).

Household 4 lives 2 bedroom townhouse in Troyeville.

Household 1 sells the rights to their shack for R10 000 and buys a home for R130 000 in Orange Farm.

With that purchase, they are no longer part of the housing backlog, and they have helped Household 2 realise the financial asset value of their home.

Household 2 sells their home for R130 000 and buys a home for R205 000.

Household 1 has R10 000 equity from the sale of their shack. They need a loan of R120 000 to buy this house.

At 13,5% interest over 20 years, and with a repayment of R1500/m, this would be accessible to a household earning R6000.

Or, a household earning earning R3500 could afford the R130 000 house if they accessed the full FLISP subsidy and a mortgage loan of R38 000. This would involve a loan repayment of R500/m over 10 years at 13,5%.

Household 3 sells their flat for R205 000 and buys a townhouse for R400 000.

Household 2 has R130 000 equity from the sale of their RDP house. This means they need a loan of R75 000.

At 13,5% interest over 20 years, and with a repayment of R1000/m, this is affordable to a household earning R4000.

They receive no further support from the state.

Household 3 has R205 000 equity from the sale of their flat. This means they need a loan of R195 000.

At 13,5% interest over 20 years, and with a monthly repayment of R2375/m, this is affordable to a household earning R9 500.

They receive no further support from the state.

Household 4 sells their home for R400 000, and so on...

Household 4 has R205 000 equity from the sale of their flat. This means they need a loan of R195 000.

At 13,5% interest over 20 years, and with a monthly repayment of R2375/m, this is affordable to a household earning R9 500.

They receive no further support from the state.

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