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INTRODUCTION TO THE FIRST ISSUE

The functioning of secondary markets is a critical piece in the overall puzzle for resolving South Africa's housing crisis. And yet, in the face of huge housing backlogs and sprawling informal settlements, it is the primary market - new housing delivery - that gets the policy attention.

What role does the secondary market play? What are the key issues that make the township property market dysfunctional? How do we overcome these so that over time, township properties become part of the wider residential property market whose growth all South Africans are enjoying? These are the questions that were posed by a study into the workings of Township Residential Property Markets (TRPM), a study which was completed in June 2004.

An important part of the TRPM project has been the debate that the research has stimulated both among policy makers and the public at large. This is something that we wish to continue.

The main purpose of *TRPM News* is to provide in a concise e-mailed newsletter format, a regular discussion of issues and summary of laws, policies, research, forthcoming events, and developments that affect the workings of residential property markets for low income people in South Africa.

If there is news that you believe should be shared with the broader housing and finance community in South Africa, please send information to the Editor at kecia@iafrica.com. Editorial discretion will be applied in order to keep the information concise and focused. In this way, *TRPM News* can serve as an information clearing house. Also, if you have opinions on the content of the newsletter, please contact us too.

Finally, if you wish to be added to or taken off the subscription list, also contact the address set out above.

Kecia Rust - TRPM Coordinator

FOCUS: SECONDARY MARKETS AND DEFAULT

In July, evictions in Protea Glen, a middle-income, privately developed suburb in Soweto, Gauteng, raised several separate but related issues. Working under instruction from the banks, the sheriff issued eviction orders to residents who had defaulted on their bond repayments. Residents resisted eviction and eventually the Minister of Housing, Lindiwe Sisulu intervened.

The story that wasn't explored in any detail was how this situation arose. Resistance to evictions sounds all too familiar - civil action gone awry, fodder for the old argument that there persists a culture of non-payment in South Africa's low income areas.

Certainly, the residents involved had stopped paying their bonds for one reason or another. And the Housing Minister acknowledged that the banks were operating entirely within their legal rights.

In a normal market, however, the situation wouldn't usually get to this point.

In a normal market, when homeowners fall on hard times and are unable to meet their mortgage obligations, they sell their home and use the equity from the sale to buy a cheaper, more affordable house. In this way, home ownership is understood world-wide to be a kind of personal safety net against bad times.

In South Africa's townships, however, this isn't the case. There, the secondary market is dysfunctional. The Protea Glen residents could neither find a buyer for their homes, nor could they find cheaper housing as an alternative. They were locked into their homes, so to speak, with nowhere to go—a huge incentive to resist eviction. Because they were unable to sell their homes, the equity the Protea Glen residents had invested in them was worthless. When the banks repossessed their homes, they lost

everything. They might as well have been renting.

The absence of a secondary market in the townships means that the safety net that property ownership is traditionally understood to be is often rather a noose around the necks of low income homeowners.

If we are to get past the housing credit impasse in the low-income market, we have to address the workings of the secondary property market. I don't expect the banks involved in Protea Glen will be racing to lend again under the same circumstances. The TRPM research found that of the 8% of secondary transactions taking place in its study sites over the past five years, half resulted from properties in possession, clearly reflecting a high level of dysfunction in the market.

An effective secondary market will reduce both the level of default as well as the levels of "loss on default". This is because the ability to sell properties quickly at a near market related price will enable households who can no longer meet their mortgage repayments to sell and downsize themselves without legal intervention. If the situation degenerates to the point of repossession, the properties still can be sold at market related value and in a shorter period.

FORTHCOMING EVENTS

Albert Luthuli Memorial Lecture week (3-6 August) includes lectures on rural development and cities in globalization. Township property markets will be presented on 5 August during a session from 9:00 - 12:40. Venue: Wits University. RSVP: Tebogo Mokgata on 011-717-6630.

Making Cities Work - Implications of the township property market study for development and urban management - panel with Kecia Rust, Themba Maluleke, Pauline Larsen, and Abueng Matlapeng. Date: 24 August 2004 from 16h30 to 18h00. Venue: Wits Grad School of Public Management (P&DM), Wits, 2 St Davids Place, Parktown - in Classroom D, 1st Floor, Donald Gordon Building. RSVP Abigail Mlate, 011 717 3513 or mplate.a@pdm.wits.ac.za