

# Chapter 20

## State Financed Social Housing Model in South Africa Requires Capacity Building Injection

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### ABSTRACT

*This chapter is based on the premise of Social Housing Institutions (SHIs) sustainability mechanisms. It is informed largely by National Housing Finance Corporation's (NHFC's) research findings on social housing developments commissioned on its behalf. The broad aim of the study was to conduct an audit survey through a critical appraisal and analysis of one of South Africa's social housing projects. The methodological approach was primarily through a thorough literature and documentation review this study had examined in addition to quantitative findings; the definition of social housing as a concept and how it has been operationalized in different markets. According to the findings the low levels of employment, low levels of income and the lack of industries in the area suggest that the affordability levels of the project tenants are low.*

### INTRODUCTION

Any form of housing, property investment in particular is a function of a country's macro-economic activity, levels of its employed population, GDP growth plus budget and expenditure framework. The Gross Domestic Product (GDP) in South Africa expanded to an annualized 3.8% in the fourth quarter of 2013 (National Treasury, 2014). The GDP growth rate in South Africa is reported by the Statistics South Africa to have averaged 3.2% from 1993 until 2013.

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By March 1996 the country's GDP growth rate recorded an all-time high of 7.6% while a negative growth of 2.70% was posted in March 2009. South Africa's export-based economy is the largest and most developed in Africa. The graph below demonstrates that even though South Africa has the biggest economy in the continent, its GDP growth is lagging behind other African countries. The countries comprising the top five ranking led by South Africa are Nigeria, Egypt, Algeria and Angola had shown exceptional economic growth in recent years. Equatorial Guinea recorded the continents' highest GDP rate of 38% in 2004 and being the worst performing economy as reflected in the graph.

South Africa's GDP growth rate by peer comparison had been tepid and lackluster. It is in Southern African states that SA's GDP growth rate had been gloomy comparatively speaking and Angola's economy has grown consistently over the measured period. Even the bottom ranked country, Comoros (in terms of economic size, investor confidence and country risk profile) is expected to contend well relative to South Africa and it has not been exposed to any negative growth rate over the last few years.

## BACKGROUND

As stated by Statistics South Africa economic overview report, (2014) the Gross Domestic Product (GDP) in South Africa expanded 2.0% in the fourth quarter of 2013. The GDP annual growth rate in South Africa averaged 3.19% from 1994 until 2013, reaching a historical high of 7.10% in the fourth quarter of 2006 and a recorded a negative growth of 2.70% in the second quarter of 2009. South Africa is still regarded as the biggest economy in Africa even though the Nigerian economy is reportedly to

*Table 1. GDP growth rate of selected country comparison in Africa: 2004-2013*

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 est
Angola	10.2	20.9	19	23.2	13.8	2.4	3.4	3.9	7.9	8.2
Nigeria	10.5	6.5	6	6.4	6	7	8	7.4	6.6	6.7
Botswana	2.6	4.8	8.3	8.9	3.7	-7.9	8.1	8	5.8	5.6
Burundi	4.8	0.9	5.4	3.5	4.9	3.8	4.8	4.2	4.3	4.6
Chad	34.3	7.9	2.7	8.4	3.4	4.1	14	1.6	7.2	7.4
Comoros	1.9	2.8	2.6	0.8	0.6	1.1	2	2.6	2.7	3.2
Egypt	4.1	4.5	6.8	7.1	7.3	4.9	4.8	1.8	2.2	2
Equatorial Guinea	38	9.7	1.3	21.4	10.7	4.6	-0.5	7.7	5.5	4.9
South Africa	4.6	5.3	5.6	5.5	3.6	-1.5	3.1	3.5	2.5	2.8
Zimbabwe	-6.9	-2.2	-3.5	-3.7	-17.7	6.3	9.6	10.6	4.4	5
Ghana	5.6	5.9	6.4	6.5	8.4	4	8	14.4	7.1	8
Kenya	5.1	5.9	6.3	7	1.5	2.7	5.8	4.4	4.2	4.5
Tanzania	7.8	7.4	6.7	7.1	7.4	6	7	6.4	6.4	6.9
Uganda	5.8	10	7.1	8.1	10.4	4.1	6.2	5.9	4.4	4.9
Rwanda	7.4	9.4	9.2	7.6	11.2	6.2	7.2	8.3	7.7	7.1

Source: GDPafDB Statistics, SARB

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