

# Idle assets

## Subsidised housing - Where are the title deeds?

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Thousands of poor South Africans don't have a title deed for the property they believe they rightfully own. This emerged in an initiative recently commissioned by FinMark Trust and Urban LandMark. The study considered the performance of the government-subsidised housing sector and to what extent home ownership was helping to create wealth.

The research was undertaken in three townships. One of the people interviewed was Perseverance, whose first name only is given. She lives in Emaplazini in KwaZulu-Natal. For more than a decade she shared a two-bedroom house with her sister and her sister's family. She lives on a social grant she receives from government for her two children.

But three years ago, she heard there was a modest RDP house for sale down the road. The owner and Perseverance agreed on a purchase price of R13 000.

The house has been paid off, but other than an affidavit made at the police station at the time of the sale, she does not have a document showing it is hers — she has no title deed. She recently heard the seller's family is unhappy about the sale. She fears they may claim the property.

The FinMark Trust and Urban LandMark study shows about 1,5m government-subsidised properties are not formally registered at the deeds office. This is more than half (51%) of the 2,94m housing units built since 1994 for households earning less than R3 500/month. Since 2005, registration rates have plummeted. The 1,44m government-subsidised properties that have received formal title deeds since 1994 represent nearly one-quarter (24%) of the 6m residential properties registered at the SA deeds office. If the 1,5m unregistered subsidised homes were to be added to the deeds registry, the lower-income sector would comprise nearly 40% of SA's entire residential property market.

Kecia Rust, housing finance co-ordinator for the FinMark Trust, says though the initial intention of government's housing subsidy programme was to provide shelter for the poor, by early 2000 the view was widely adopted that low-income households should also be able to use their homes as an asset to build wealth. "But without title deeds, beneficiaries of subsidised houses have no legal claim to ownership. That means they cannot trade their properties and are being denied a critical point of entry into the formal property market."

The study also reveals that of the 2,94m units referred to above, only around 3% (or 90 858) have formally changed hands.

Rust says without an active secondary market at the lower end, SA will battle to eradicate its estimated 2,3m housing shortage. There is now a particular shortage of housing stock priced at R150 000- R250 000, aimed at the gap market — families earning too much for a government subsidy but too little to qualify for a mortgage bond. The cheapest homes on the market start at R250 000. Subsidised home owners could bring plenty of stock to the market to fill the gap.

The report recommends that the state urgently look at dealing with the registration backlog.

Other industry players believe the way to improve deeds office registration rates and stimulate a secondary housing market is to better educate low earners on the legalities of home ownership.

Yusuf Ebrahim, head of the conveyancing department of legal firm Ivan Pauw & Partners, says the low transfer rates of subsidised houses can be blamed partially on flawed administration processes, which delay the flow of subsidy funds from housing departments to developers. But he believes the

key problem is a limited understanding among the beneficiaries themselves of how the deeds registry process works.

He says banks have been very successful in educating lower-income mortgage applicants on the legal aspects of home ownership. "Deeds office registration and transaction rates could be vastly improved if we did the same for the subsidised housing market."