

HOSTELS & AND HOUSING → GENERAL

1989

JAN. — JUNE

Blacks granted leasehold rights

Own Correspondent

JOHANNESBURG. — The granting of full leasehold rights to urban blacks was an attempt to sort out an historical anomaly, a legal expert said yesterday.

The Conversion of Certain Rights to Leasehold Act (Act 81 of 1988) which was gazetted on Friday meant home-owners would also have leasehold rights on their ground. The act came into effect on January 1.

Blacks have formerly only had occupation rights on the property on which their houses stood.

The act provides for the further promotion of black house

ownership and the repeal of a set of comprehensive regulations over black urban homes, the Department of Development Planning said.

"It is expected that the act will cause an upsurge in the property market in black cities and towns because both residents and business sites are involved," it said.

Until 1978, when the 99-year leasehold system was introduced, blacks could not have leasehold rights, but occupied homes and businesses through permit ownership.

Leasehold owners had the op-

portunity of applying for building society loans, selling the house or business without permission from the local authority and were granted permanent registered title.

The full leasehold act means permit-holders can convert to leasehold rights without the cost suffered by those who converted to the 99-year leasehold system, the expert said.

The act allowed the government to get rid of the abnormal permit system. "It is an anomaly in common law for people to own the structure, and not the land," he said.

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House owners face mortgage crunch

Star 3/1/89

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By Sven Forssman

Houseowners will have to dig deep into their pockets to hold on to their houses this year as the new bond rate increases take effect.

Most banks and building societies' rates move up to 18 percent on February 1.

But some relief is in sight. Economists point out that interest rates, including mortgage rates, are close to their cyclical peak and should start declining sometime around mid-year, if not earlier.

Mr Anthony Gibson, senior investment manager at Syfrets, says the prospects for lower interest rates depend to a large extent on government exercising a measure of fiscal restraint.

The shock rise in the cost of mortgage bonds was led by First National Bank which put its rates to 18 percent last November, while Standard Bank is

lifting its rate to 17,75 percent from February 1. This is below that charged by most major financial institutions.

The monthly repayment on a R50 000 mortgage spread over 20 years has jumped to R770 at 18 percent from R568 at 12,5 percent last January.

"Called up"

Speculation is mounting that banks and building societies have had to call up an increasing number of house loans in recent months, but Mr Terry Power, general manager home loans at Standard Bank, said yesterday there was no cause for alarm.

"There has been a slight increase in the number of home loans called up, but most of the houses we have sold have been through insolvent estates.

"We see the demand for houses being sustained throughout the year and we don't foresee any cutback in bond alloca-

tions — if houseowners can pay for their money, we will continue to provide.

"People buying houses this year will have to lower their sights as we don't see the prices of houses in the middle price range coming off much.

"Luxury homes might be a little more difficult to sell, but from our experience the people buying these homes usually pay cash."

Mr Power said Standard's average bond was between R80 000 and R85 000 and it was not into low-cost housing.

"We give bonds for houses between R35 000 and R40 000 but nothing below that."

NBS expects an increase in the number of defaulters as a result of the interest rate level.

Mr Terry Bradshaw, Transvaal manager of the building society, said recently that the bond rate rise was sure to hurt some people.

Hans Falkena, chief economist of UBS, said recently the debt situation could get worse, but he believed that while the R80 000 bondholder was paying R900 at the beginning of the year compared with R1 200 it all evened up over the long term.

Investment

Homeowners can take heart from the words of estate agent Wendy Machanik, who believes owning a house is still one of the best investments a person can make.

"A homeowner who bought 10 years ago would be able to sell his home today for at least five times what he paid for it."

"A R15 000 stake in a R50 000 property 10 years ago relates to a current value of R250 000 — a capital gain of R200 000.

"The same amount invested at an institution at 15 percent over a 10-year period barely reaches double the amount of the investment."

B/Dan 4/1/89

Bond rates to remain stable

THE ECONOMY did not indicate an increase in bond rates in the immediate future, said Standard Bank Treasury deputy GM John Lloyd.

He said the demand for credit had not been accelerating and this had helped keep bond rates stable.

Estate Agents Board immediate past chairman JTM van Straten said the present interest rates being asked by banks and building societies had had an adverse effect on the amount of property sold.

He said a decrease in house prices

was already becoming evident and many homebuyers were being forced to buy smaller homes.

Most seriously effected were the homes in the R80 000 to R150 000 bracket.

Standard Bank home loans division deputy GM Terry Power said yesterday there had been a falling off in the number of home loan applications during the past few months and his bank had granted mortgages of R100m in December as compared to the R255m in July. — Sapa.

Legislation qualifies families for leasehold

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About 260 000 black families qualify to acquire leasehold rights over their properties under the Conversion of Certain Rights to Leasehold Act which came into effect on January 1.

They are families who since the mid-50s have bought or built their houses under regulations which, by a curious bureaucratic anomaly, allowed them full occupation rights to the buildings, but not the land on which the houses stood.

Legislation

The new legislation means the owners of these houses will now, free of charge, also acquire leasehold rights on the land. This will give them the security of tenure they need, for instance, to register mortgage bonds against their properties, something they have not been able to do until now.

The Act affects only those people who have occupation rights to their

New legislation has corrected an anomaly that allowed many thousands of black families the right to own their homes, but denied them rights to the land on which they lived. **PETER FABRICIUS of The Star's political staff reports.**

well is that the instalments they have been paying over the years for their buildings included a small rent payment for the land. The Government feels they now have paid enough for their properties.

Leasehold

It seems at first glance rather puzzling that the new legislation should be granting mere leasehold rights to blacks when they have been entitled to full ownership for over two years.

In that sense the Act seems regressive. But Government officials hasten to explain that a technicality is responsible for this anomaly.

Before a black can get full ownership of his property, the township in which it is situated must be pro-

perly surveyed and a township register opened. This has not been done in all the townships affected by the Act and so the leasehold rights were granted as an interim measure.

Those who live in properly registered townships will be able to convert to full ownership immediately, and the others will be able to do so when their townships are registered.

The Minister of Constitutional Development and Planning, Mr Chris Heunis, hailed the legislation as a major reform measure when it was debated in Parliament last June.

The Progressive Federal Party did not disagree and supported the legislation.

The main parties in the Houses of Representatives and of Delegates also supported the legislation.

The Conservative Party opposed the legislation as "just another link in the chain of granting ownership to blacks outside the national states".

Gaining ground

The Conversion of Certain Rights to Leasehold Act, which came into effect on January 1, will enable thousands of blacks with only occupational rights to the property on which their houses stand to obtain full leasehold rights to "their" ground.

This means that a black person will now be in a better position to raise mortgages and establish a capital base — a right which was previously denied to him, as Wits University law professor Louise Tager points out.

Passed by parliament last year, the Act immediately repeals a 1968 law — Regulation 1036 — which governed all aspects of black socio-economic activity with unusual restrictiveness.

The Act, says Tager, "replaces statutory controlled occupation with the common law of lease. It preserves existing rights acquired under the repealed law; it makes provision for the acquisition of full ownership rights and for the conversion of ownership from the deed of grant rights or leasehold title. The old restrictions imposed on these forms of the title have been removed.

"There is no duplication of the laws and there are no special provisions governing business activity. From a racial point of view, business activity has been deregulated."

The Department of Development Aid said the Act provides for the further promotion of house ownership for blacks and the repeal of a set of comprehensive regulations regarding the control and supervision of black urban towns in SA.

Market boost

"It is expected that this Act will cause an upsurge in the property market in black cities and towns because both residential and business sites are involved," said the department.

According to Tager, "The importance of the Conversion Act, apart from its repeal of R 1036, is that it makes provision for the conversion of the old site permits and certificates of grant to 99-year leasehold title.

"The holders of these permits are persons who under R 1036 were permitted to build a house or purchase a council house with their own funds.

"These persons were not, in terms of R 1036, owners of the houses which they purchased or built because they did not own the land on which the houses were built."

No black in urban areas could acquire any title until 1978 when leasehold was introduced, marking government's acceptance of the permanence of blacks in "white" SA. The new Act, explains Tager, sets out a procedure for granting registered leasehold title without any payment for the land by these house "owners."

The Act also allows businessmen who built or purchased business premises on State land to obtain leasehold title. The leasehold title, which will be granted free of charge, may be

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urban area which is set aside for occupation by blacks.

"The new legislation also makes it possible for private sector developers to develop new townships. Prior to 1986 the provision of serviced land and housing was exclusively in the hands of the State. This process can be compared to Margaret Thatcher's privatisation of council houses."

Regulations for establishing new townships in black areas have been streamlined and make it possible to establish one in less than a year.

is transferred to another person the 99 years commence to run afresh. Leasehold title is registered in the Deeds Registry office. Buyers of leasehold title do not pay transfer duty or stamp duty.

"In 1986, by an amendment to the Black Communities Development Act of 1984, the restrictions against a black person's right to own property were removed. Today any black SA citizen, including black persons who are citizens of the so-called independent States and the six self-governing territories, may acquire (lease or own) property in any

converted to full ownership at the wish of the holder, as soon as township registers are opened, Tager adds.

She estimates that about 300 000 people will then be able to acquire registered title. This is important because to date only some 50 000 have registered 99-year leasehold titles under existing law.

Leasehold title, explains Tager "is a statutory form of tenure which confers on leaseholders the right to improve and occupy their lots, to mortgage, dispose of, let and bequeath their rights. When 99-year leasehold

Your house is NOT always a

sensible way to beat inflation

MONEY MATTERS

by Magnus Heystek

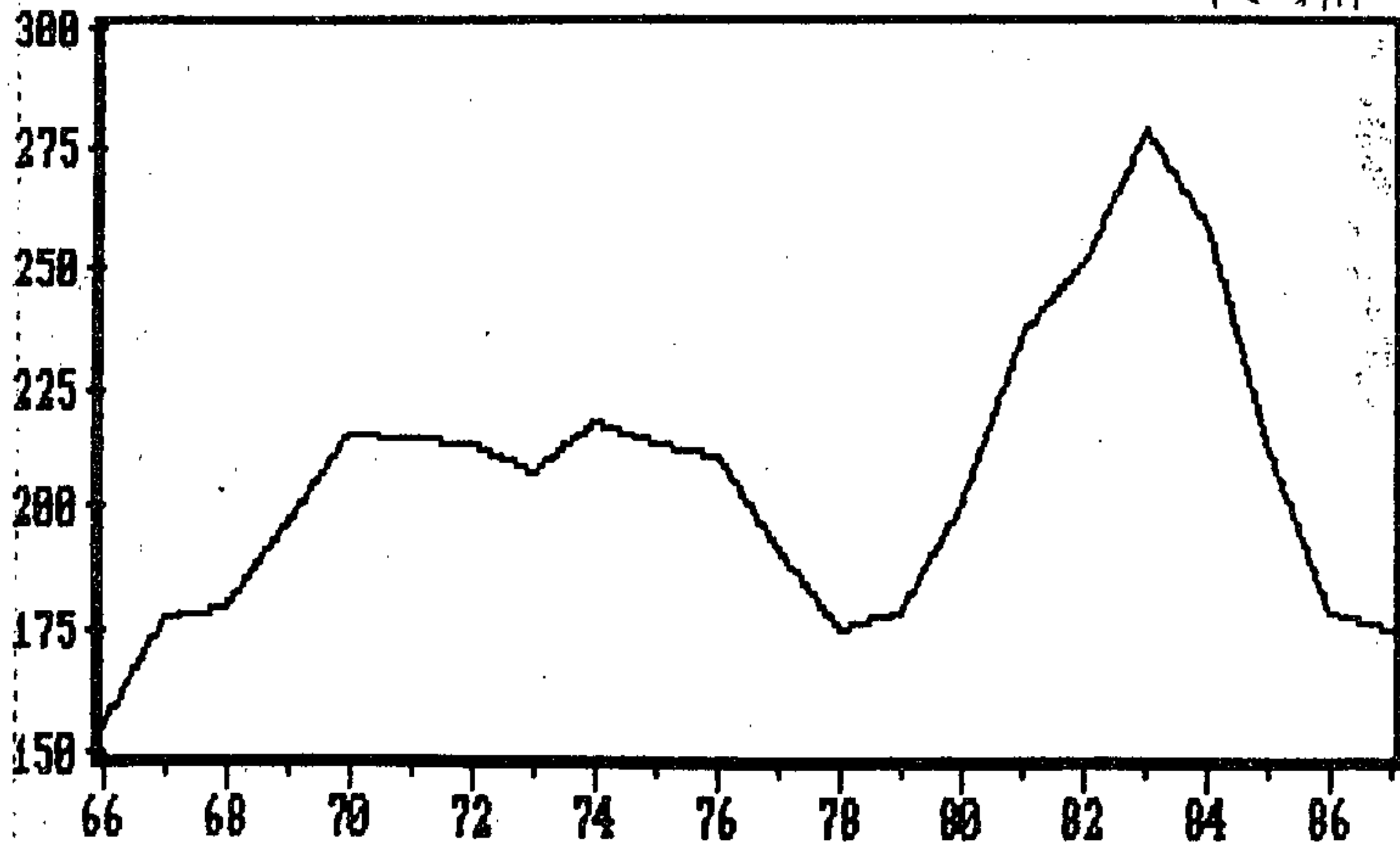


Star 7/1/89

REAL HOUSE PRICES
Rode House Price Index deflated by CPI

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Star 7/1/89



IT WILL surprise many that house prices over the long run have NOT kept pace with the rate of inflation.

But that's impossible, you may say, depending on the general impression that house prices are the average man's best protection against inflation.

An impression, no doubt, fuelled by overeager property agents who use this line as a marketing ploy.

But, sad to say, this is not true. Research by property economist Erwin Rode has just undermined another piece of conventional wisdom.

Residential property prices, in the long run, generally follow the inflation rate, but do not outstrip it. In fact, due to a combination of several factors, residential properties have a tendency to depreciate at an alarming rate, especially houses older than 20 years.

According to the Rode House Price Index, house prices tend

to move in very long cycles, which means there are periods when house prices outperform or underperform the average inflation rate.

As can be seen from the accompanying graph house prices (deflated by the CPI), on average, easily outpaced the inflation rate between 1978 and 1982, but since then houses have not been such a good investment.

Many people who entered the property market at its peak in 1982, especially in the case of townhouses and duplexes, are still licking their wounds.

But these findings only reveal one side of the coin. They happen to be true for the few investors who bought properties for cash, but not true for homeowners who, wittingly or unwittingly, used a factor known as gearing to build up substantial capital sums.

Gearing is a well-known practice used in

business, but few people actually realise this is precisely what they are doing when they apply for a mortgage bond on a house or property.

In essence this boils down to using someone else's money to make a capital gain for oneself.

It is this factor, together with subsidies on home mortgage bonds, that has made lots of money for salaried people in the residential property market.

Anyone purchasing a R100 000 property with a bond of say R80 000 only invests R20 000 (apart from the legal and transfer costs) of his own money into the property.

But when the property appreciates (which it will in line with the inflation rate) the entire capital appreciation accrues to him, and not the institution that gave him the loan.

This capital profit then creates the impression that property far outstrips the inflation rate.

But like all other investment areas, timing is of the utmost importance. Referring to the table again, property investors who purchased properties during 1978 and sold out at the top in 1982, made astronomical profit which was mostly untaxed.

However, people who bought into the market at the top in 1982, actually suffered a decline in capital values at the end of 1984.

This brings us to a question I'm often asked: when is a good time to buy or build a house? My answer to this is: it is always a good time to acquire property, but some times are better than others.

It seems as if interest, and also mortgage rates, are close to their peak and could start declining in mid-year.

With the market softer and sellers more negotiable than six months ago, the time could be ripe.



Mr. Chris Heunis
500 000 houses needed.

Govt will ^{stay 12/11/89} only house the poor ⁽¹²³⁾

Pretoria Correspondent

The Government will only accept responsibility for providing housing in the case of extremely poor and disadvantaged sections of the community.

Speaking at the first meeting of a reconstituted National Housing Commission in Pretoria yesterday the Minister of Constitutional Development and Planning, Mr Chris Heunis, said the statistics pointed to a shortage of more than 500 000 housing units for black families.

He said the provision of housing should be viewed as one of the highest priorities in the country.

He said he believed it was a major instrument in fighting revolutionary actions.

In rendering financial aid the Government was committed to the principle of self help and providing as many people as possible with housing with the limited funds at its disposal, said Mr Heunis.

However, it was the Commission's responsibility to ensure the provision of housing for those who could afford it was left to the private sector.

Informal housing would have to be recognised as a "temporary but significant" building method and higher density settlements would have to be seriously considered.

APR 1987

12/1/87

Black houses: 500 000 short

Own Correspondent

PRETORIA. — Latest statistics show a massive black housing shortage amounting to 500 000 units, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said here yesterday.

Speaking at the inaugural meeting of the reconstituted National Housing Commission, he said the government, within its financial capability, was striving to provide as many people as possible with acceptable housing.

He warned, however, that urbanisation and the resultant migration of newcomers and squatters meant it would not always be possible to establish conventional towns.

Informal housing would have to be

recognised as part of the housing stock.

Emphasising that it was the responsibility of the individual, the employer and other sections of the private sector to provide housing, Mr Heunis said the government would accept responsibility only for the very poor and disadvantaged section of the community.

He added that the scarcity of suitable land for housing would mean attention would have to be directed at high-rise buildings.

He stressed that infrastructural standards had to be adapted to the ability of people to pay.

It was common knowledge the demand for housing by far exceeded supply.

Success of housing plan brings 'new perception'

By **CONNIE MOLUSI**

THE change in government policy on black housing and urbanisation has resulted in 100 000 black families buying houses built by the now-defunct National Housing Commission.

At a recent ceremony, Minister of Constitutional Development and Planning Chris Heunis presented the 100 000th house-owner, Salatiele Langa of Atteridgeville, with his leasehold certificate.

The government launched its campaign to sell 330 000 "matchbox" houses five years ago.

Heunis said: "The importance of this achievement should not be judged only from the figures involved. The crucial point is that a new perception has been established in the black community. Members are now aware that the doors of private financial institutions are open to them as owners of vested rights.

"This awareness creates the opportunity to obtain funds to improve their homes and, most importantly, their living conditions."

Government policy in the late 1940s regarded black people as temporary sojourners in urban areas and thus precluded them from owning land outside the self-governing territories or trust territories.

However, the realities of industrialisation has led to urbanisation and a reversal of this policy.

Since 1978, blacks have been allowed to obtain leasehold rights through the introduction of the 99-year leasehold system.

The most important breakthrough in black housing development legislation came in 1986 with the passing of the Black Communities Development Amendment Act.

The Act converted leasehold rights to ownership rights and permitted black people to acquire immovable property in urban areas.

The latest important move by the government on black housing is the Conversion of Certain Rights to Leasehold Rights Act, which came into operation on January 1, 1989.

This Act could lead to 260 000 people with occupational rights acquiring real property rights.

Said Heunis: "With urbanisation in full swing, more land must be made available to accommodate the increase of residents in existing towns and those coming from the rural areas."

Immigration boost for homes market

By Frank Jeans (123)

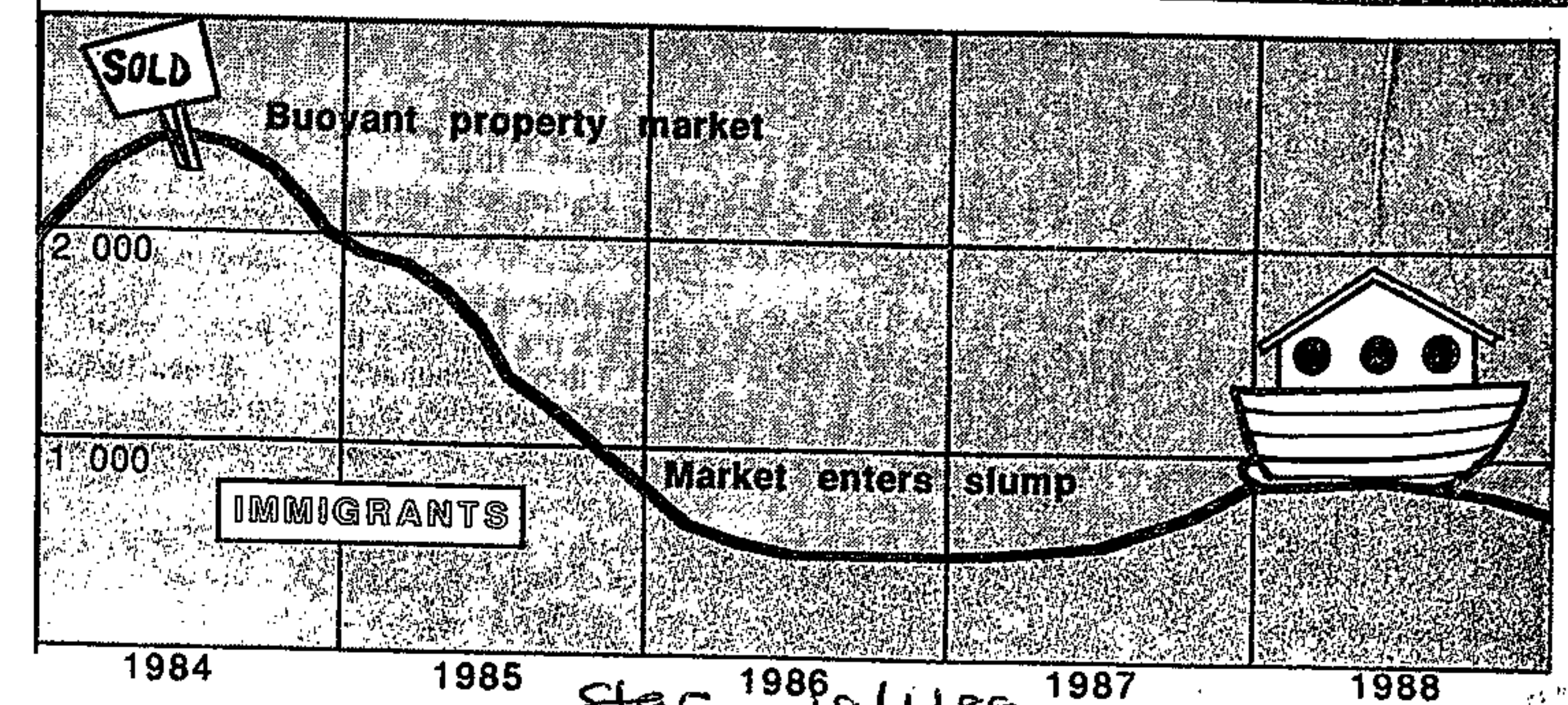
Improving immigration figures along with a slowdown in the "brain drain" should result in added confidence in the residential property market.

During the 11 months to November last year, South Africa had a net gain of 2 340 people compared with a loss of 3 395 during the same time in 1987.

Historically, a return to higher levels of migrants to the country, spins off into more positive trends in property ownership and there is little doubt that the industry, despite woes over rising bond rates, could confound critics who predict a worsening situation.

A plus for homeownership among newcomers to South Africa, too, is the fact that the rental market is severely strained with a shortage of good accommodation in most areas.

Mr Scott McRae, managing director of one of the country's largest real estate groups, Camdon's Nationwide, says: "We are well pleased to see a net inflow



of people again and it should be remembered that a high percentage of them will be bringing in strong currencies.

"They will be in a strong position, through the Financial Rand, to achieve a much grander lifestyle than they could ever have hoped for in their home countries."

Mr McRae also expects new

Star 18/1/89
financing packages to emerge this year. "Existing homeowners will find that the institutions are more than willing to stretch bond repayment periods."

"It is perhaps time, therefore, to bring in 35 year mortgages and certainly another measure of relief would be to allow bond payments against tax."

"The outlook for the year is

positive and the prophets of doom who foresaw a crash similar to that of the Stock Exchange, have simply got it wrong," he says.

"Homeowners, of course, have been affected by the bond rate rises but there are too many other factors underpinning the market to allow any recession to settle in."

Interest rates dent home-loan demand

B/day 18/11/87

HIGHER interest rates have dented the demand for home loans, with banks and building societies reporting quieter times after the mad rush for credit.

While the holiday lull distorted the picture, they expected demand to continue at lower levels as interest-rate increases started biting.

Reserve Bank figures showed demand was strong until November last year. Building societies' balance sheets grew by R1,1bn in the three months to November, compared with R954m in the previous three-month period.

UBS group marketing GM Tinie van den Berg said the demand for home loans had remained surprisingly buoyant until mid-November. This was in the face of interest-rate increases from 12,5% at the start of the year to 16% in November.

"But a survey among estate agents showed consumer resistance against the higher rates started to pick up at that time. In mid-November, applications for home loans were 15% down on six months previously. In some cases, the drop-off was as much as 20%."

18/123

GRETA STEYN

Compared with two years ago, when rates were at 12,5%, applications for home loans had dropped by between 25% and 30%. But certain areas had remained unaffected, such as Pretoria, the western Cape and the northern suburbs of Johannesburg.

However, the Standard Bank noticed a drop-off at the upper-end of the market. Financial services MD Dennis Matfield said this had become evident in mid-1988 and was expected to continue in response to higher rates.

The Trust Bank's Kobus Roetz said the year had got off to a slow start, with the number of applications in January running at about 30% below December's figures. He ascribed the decline mainly to seasonal factors, but said demand for home finance was likely to remain at lower levels because of the higher interest rates.

The SA Perm's Peter von Broembsen said it was mainly the upper-end of the market which was quieter, with the middle and lower end of the market still buoyant.

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Behind the Natal violence, a tale of water scarcity and homelessness

The Natal violence has deeper roots than political rivalry. At its heart are battles over scarce land and other resources.

CARMEL RICKARD reports

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INANDA is one of the worst "unrest" areas in Natal, a sprawling mass of formal and informal housing north of Durban, where seventy people have been murdered in the past nine months.

About half a million people live in the area and because it is relatively close to Durban, newcomers to the urban area usually try to find accommodation there.

Several of the "hottest" spots are the boundary areas between formal townships and informal settlements.

Although some residents blame the conflict on the "Inkatha/UDF fight", their description of what is actually happening makes it clear that the situation is more complex and that the shortage and control of resources is also playing a critical part.

Researchers monitoring unrest in the area predicted that the shortage of housing and other resources would lead to friction and fighting between squatters and residents of formal townships in other parts of Inanda.

But Gavin Woods, of the Inkatha Institute, and Mike Sutcliffe, of Natal University's Built Environment Support Group, believe there is another key element in Inanda — individuals who use the discontent over the shortage of resources to mobilise and manipulate their followers.

Both said these individuals were trying to increase their own power base, using popular discontent about conditions in the area.

In some areas the people in the formal township have been so battered by the on-going fighting that they have quit their homes — opening the way for the squatters to leave their flimsy shacks and move in to the more substantial township houses.

The reverse is also happening. Squatters living close to Inanda Newtown A Section say that after clashes between themselves and the Newtowners, the residents are refusing to let them go on using the water, roads, schools and other facilities provided for the township.

The squatters, already living in fear of their lives, now have the additional problem of having no access to basic resources.

One man said that instead of fetching water from a tap two minutes away, he had an hour's walk down the valley. He was no longer able to catch the bus on the tarred road behind his home, but had to walk 45 minutes to a bus stop in another area.

His children were unable to enroll at the Newtown schools and would have to be "sent away" for schooling.

His youngest child's body was covered in sores, developed through sleeping every night in the bush; but he was unable to take the child for medical attention as he was no longer "allowed" to use the Newtown clinic and it was too far to take the child anywhere else.

Another man, who asked not to be named, said he believed the fighting in the area was "for these names: ANC, UDF and Inkatha".

"My area is under Inkatha; they say Newtown is under the ANC."

He did not say that the fighting was about control or use of resources but, asked what would help stop the fighting, he said if the squatters had proper houses and water, it would help.

After visiting some of the trouble spots this week, National Democratic Movement MP Peter Gastrow said he wanted to contact the authorities to plead that they urgently provide basic facilities for the squatters.

This was the only way he could see to undercut the "growing tension and potential for violence.

"Clearly the struggle for resources is a major factor in the fighting here. The people in the formal township see the 'intruding' squatters as a threat to their own continued access to scarce resources and the problem has been brought to a head by the unbelievably rapid growth of such (squatter) settlements in the area.

"It is a powder keg situation if one community is cut off by another from critical resources.

"If more basic facilities were provided it would help undercut the problem although, of course, the serious political issues would still remain."

ha	12 months
	R74
	R82
	R180
230	R220 (550)

Govt bid to raise revenue in trouble

GOVERNMENT attempts to charge more for health and housing services by means of new sliding scale formulae might backfire — they are raising little extra revenue, while risking more conflict with black communities, says the South African Institute of Race Relations.

The institute, which monitors the provision of services to black people through its publication *Social and Economic Update*, says that the policy of increasing payments by users of services is being implemented more widely to ease the burden of direct subsidies for health and housing services in particular, and in order to make those who can afford higher payments subsidise the very poor.

"In theory", says *Update*, "the principle that the better-off should pay more could offer a way of increasing black access to services and facilities. But the new formulae may not achieve this because the definition of 'better-off' people appears to be unrealistic."

The new housing formula and health tariffs, implemented so far in Natal and the

Western Cape, assume that people earning over R800 a month are able to contribute more to housing costs, and that people earning over R900 a month can afford medical aid rates.

But it is likely that these people will find the increased costs too heavy a burden, *Update* says. "This may increase the danger of conflict, while little extra revenue is raised."

Formula

Update points out that since the introduction of the new formula in April last year, revenue recovered from patients in Natal's provincial hospitals increased by a third, which the state continued to pay more than 90 percent of the bill for the province's hospital services. At the same time the increase in most low-income patients' health costs prompted organised opposition.

In the Cape, where tariffs have risen by 13.5 percent, only 6 percent of hospital services costs are being recovered. *Update* explains that patients admitted to provincial hospitals are billed after leaving hospital and those who cannot pay more make representation to the province for a

reduction or the waiving of the fee.

In any case, says *Update*, fees charged in black hospitals are much less than the costs of the service — the average patient per day cost in King Edward VIII Hospital in Durban, for example, is R134, while fees are around R5.

Update points out that since black patients overall are able to finance only a fifth of health costs in Natal, and little more than one-twentieth in the Cape, the marginal increase in revenue from the new formula will make little impact on hospital budgets.

The publication suggests that these figures cast doubt on the viability of the government's privatisation programme. "The level of cost recovery in black provincial hospitals confirms that none can be run on a profitable basis," it says.

The publication goes on to say, "the government faces a choice between increasing its funding of health care for low-income patients (the vast majority of whom are black), and allowing black access to even basic health care to decline even further."

"Recent events suggest that organised black

pressure for improved health services is beginning to emerge and this may play a role in persuading the government to reassess its current strategy.

"Public reaction to the quality of services at Baragwanath Hospital and to the delay in opening the Lenasia Hospital has already prompted the government to allocate funds it had not planned to make available, and this trend may grow."

The new formula for payment of township housing services has also run into trouble, *Update* reports. In most cases it has led to a decrease in rents, but it has coincided with an increase in service charges, which has provoked widespread opposition.

Tenants

The formula, which links bond and rent payments to household income, was implemented during the period under review in coloured townships in the Western Cape and townships of all race groups in Natal. Tenants are permitted to choose between the new formula and the old method of determining rents.

Update says that while the new formula may be

more favourable to tenants initially, it might not be so for long. It is calculated in a way which allows for relatively steep increases in payments once incomes rise above a certain level, and tenants whose income increases relatively modestly may face far higher charges. As a result Cape Town officials are advising tenants not to change to the new formula if they expect their incomes to rise significantly.

While for some the new formula will mean that rented housing is less affordable than before, *Update* says that the initial evidence suggests that overall it was decreased rent. It notes that increases in maintenance and service costs were apparently coincidental and might temporarily have obscured the long-term benefits of the scheme.

Nevertheless the new sliding-scale formula for determining payment of postage and packaging).

health and housing services is already under review by a state committee. "This suggests that it may be altered before it is used nationally," says *Update*.

Social and Economic Update is available from the publications department of the South African Institute of Race Relations, PO Box 31044, 2017 Braamfontein, at R10,00 inclusive, (R8,50, plus R1,50 postage and packaging).

R2000 paid out for unlawful detention

THE Minister of Law and Order, Mr Adriaan Vlok, has made an offer to pay R2000 damages in an out of court settlement to a motor car mechanic who was unlawfully arrested and detained in Hamanskraal last year.

Mr Johannes Mothiba, of 96 17th Avenue, Alexandra township, was wrongfully and unlawfully arrested by members of the South African Police who

Mr Mothiba's lawyers that the Minister was offering R2000 without prejudice and to avoid incurring unnecessary costs". Mr Mothiba had initially claimed R10000 damages from the Minister.

A spokesman for D Z Tantsi Attorneys in Pretoria, yesterday said they had accepted the Minister's offer but added that the amount excluded legal costs

Sowetan
27/1/89

Rabie opens corporate division

Star 27/1/87
Rabie Property Developers, part of Rabie Investment Holdings Limited, has established a corporate sales division, offering assistance to major employers looking to house their employees.

Dave Harris, national sales director of the Rabie group, says the service is designed to help ease the burden on employers seeking to implement employee housing packages.

"It is a fully comprehensive service covering all those aspects associated with home ownership on a grand scale.

"In addition to land location, design and project management, we also take care of all the legal and financial arrangements, paying particular attention to individual requirements.

Rabie last year sold over 4 000 homes totalling R240 million in the PWV, greater Durban and Cape Town areas, and is developing several major projects in Natal, the Transvaal and the Western Cape.

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SA needs a 'thousand new homes every day'

By Michael Chester

South Africa was reminded yesterday by Mr Bob Tucker, managing director of the Perm building society, that it needed to deliver 1 000 new homes every working day in the next decade to close the backlog in demand from all race groups.

Mr Tucker was addressing a conference in Johannesburg — "Retail strategies for the 1990s" — called by the Institute of Retail Studies at the Cape Town University's Graduate School of Business in association with Systems Conferences.

CHANGES

Mr Tucker used the estimate to show the changing shape of the retail market in the course of black advancement.

The changes in the racial mix of the market, he said, were demonstrated in trends at the Perm, with 3,3 million clients and an annual outflow of home loans running at R2,2 billion.

No fewer than 20 126 out of a total of 72 700 home loans approved last year had been granted to Africans, he said. The loans amounted to R547 million.

In 1985, the Perm discovered that in and around Durban, the

average white client had to travel less than four kilometres to the nearest outlet, but the typical black client had to travel more than 20 km.

Today, on the heels of the closure of a number of unprofitable sub-branches and agencies in white areas, outlets were in operation in such areas as Umhlanga, Reunion and kwaMashu — and the number of black clients had grown from 160 000 to 460 000, with their total savings topping R200 million a year.

The automatic teller machines run by the society were programmed to talk in seven different languages.

On the West Rand, formal notices about fixed deposit savings had been replaced by friendly invitations to come in and talk to business managers.

The society was learning to simplify communications with clients. Long letters had been trimmed to four-line letters.

"The driving force and culture of the business unit and its entire staff should be a deeply felt care for the customer and enthusiasm to serve his needs — rather than a desire to see how much can be made out of the market."

(12)

3-9/2/89

WEE

PROFILE: AGGREY KLAASTE

W/Mail

THE TROUBLE WITH BEING POPULAR

AGGREY KLAASTE is a leader who is nervous of his most ardent followers.

Since the editor of the *Sowetan* enunciated his concept of "nation building" last year, he has been adopted by what he calls "the big business conspiracy". He flits around the country delivering speeches to businessmen; his views are aired in publications such as *Financial Mail* and the *Sunday Times*; there is "an intense eagerness to sign cheques", he says.

And many people in the "system", he says, like to believe he is helping them. Although the police harassed him briefly at first, others tried to talk him into entering last October's municipal elections. And he is in contact with — and getting promises of assistance from — the mayor of Soweto and government departments such as those that deal with education.

But two things are immediately clear when one speaks to him: he sees himself as his own man, independent and answerable only to his own conscience; and he is plain spoken.

"It is bullshit," he says. "There are businessmen who want to use my idea for their own ends. They like nation building because they think it will stop the revolution ... And sometimes the system thinks I am on their side."

"That's life, I suppose. I have to take the flak."

Klaaste believes that he can use these people to the gain of his project, whatever their own naive intentions. But he's nervous of the possible effect. "They can seduce me, bribe me, if I'm not careful. But I would have to be a real fool to be won over by that. I think I am serious enough to prevent that," he said.

When one teases out the full scope of his vision of nation building, it is clear why he is not comfortable being the newly-adopted favourite son of the "moderates".

The concept of nation building is born of the despair of the State of Emergency destruction of black political structures; it is suckled on the black consciousness tradition of "Black man, you are on your own".

But, most importantly, Klaaste believes he has weaned nation building by learning from the mistakes of previous black leaders.

"Every time there is a crisis situation (such as now, during the State of Emergency), the attitude has always been, let's look for the organisations, let's go to the UDF or Azapo. But often these guys are on the run or are not available," he says.

"It's as if I, as a parent, and others around me cannot take care of the situation ourselves. We have become spectators."

"This became clear in '76. Nobody dealt with the problems until the kids

A series of articles on the theme of 'nation building' made Aggrey Klaaste, editor of the *Sowetan*, an overnight hero in business circles. But all the enthusiasm has only made Klaaste uncomfortable

By ANTON HARBER



Aggrey Klaaste ... his own man

took over. The children have now become the actors — and that is not on.

"Many parents were proud that their children were acting, that they were doing something about the situation. But I think that is nonsense," he says.

His primary aim is to rebuild black unity and black organisational structures. "Black structures have been smashed. Now we have to get everyone — black and white — involved in rebuilding these structures."

"We have a strong, white, minority regime that has all the instruments of power. And we have an angry black community, but with no instruments of power and will still rule."

"This means that even if we make a deal with the system we will lose out. Even if we have one-man, one-vote, they will have all the instruments of power and will still rule."

"We have to build our power," he says.

This is not a particularly new idea. But what distinguishes Klaaste's vision is how he plans the process of empowerment.

He describes it by talking about one of his projects. A colleague of his wanted to start a garden competition in his home area, Orlando East. "You see, the system always told us we were in these townships temporarily. And even when they told us it was permanent, the think-

ing was that we just need to wait until we can move to the white houses in Johannesburg.

"But this is not true. We will probably be there forever," he said.

Klaaste raised some money and one morning shortly before last Christmas, the occupants of 800 houses in Orlando East rose early and spent the day cleaning up the area. "The best part was to see the children's reactions. They were excited as hell to see that their parents could do something like that."

"Now that group is a small constituency, they have become a power bloc. People come to them to ask not only

about gardening but about education or marital problems."

Planting flowers may seem a modest way to start building a nation, but Klaaste is flushed with this small-scale success and is evolving grand plans for Orlando East: to improve the homes, get landscapers in to improve the area, get the council to rebuild the roads, build shebeens, art galleries and book shops. "That'll bring people in to spend money, not just from the township, but whites and tourists from abroad."

"Then they'll see that blacks are no different from them. They'll be astonished."

Klaaste's concept also differs from most other black programmes in that he believes people must put aside the directly political

struggle. The mistake of his mentors, Steve Biko and Robert Sobukwe, he says, was to lock this kind of grassroots work into politics. That made them many enemies — both among rival black politicians and in the state — leading to their suppression.

Try and get people involved in politics and they face state action. They are scared off. But build up their power in this modest way and they will gain confidence and strength to tackle the political issues, he argues.

"As soon as you get them physically involved, getting their hands dirty, they will become leaders," he says.

He envisages his nation building project beginning with small local ventures, motivated from the grassroots. These will build into bigger projects, and spread into other townships.

"The scope," he says quite simply, "is limitless."

His primary projects at the moment include the rebuilding of Orlando High School, recreational facilities in Diepkloof and a plan to provide schooling for students that have been excluded from the schools this year.

All of them are at an early stage. These are projects that both businessmen and black councillors can appreciate. But few of them will share Klaaste's long-term vision. He is doing it, not to defuse the pressure for

Continued Overleaf

THE ORDER COURSE

P.T.O.

Harsh Group Areas Bill abandoned

RR605
3/2/89

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By TOS WENTZEL, Political Correspondent

THE government today dropped the controversial Group Areas Amendment Bill with its harsh provisions.

In his speech at the opening of Parliament, acting President Mr Chris Heunis indicated that the authorities would concentrate instead on the provision of more housing, including the proposed open areas.

At the same time Mr Heunis indicated that racial exclusivity in some areas of government would be extended.

He said good progress had been made with the transfer of functions to the respective Ministers' Councils and "own affairs" administrations.

It remained the government's objective to extend the self-determination of the respective communities.

Last year the President's Council referred the Group Areas Amendment Bill back to the President with the recommendation that some of its harsh provisions be modified.

Mr Heunis said the government had now decided to repeal the referral of this Bill to the council, which meant that it would be dropped.

It appeared there would not be a new Bill in its place although Mr Heunis did not give an indication of this today. The existing Group Areas Act will therefore remain.

He said the government wanted to leave room for those who wished to exercise their individual rights in a community context. It had therefore

Opening of Parliament in pictures — page 6.

been decided to investigate other ways of achieving the objectives of a guaranteed own community life.

The key lay mainly in the availability of suitable housing.

The government would therefore continue using the possibilities created by the Free Settlement Areas Act and would continue to address the provision of housing.

Referring to Southern Africa, he said that initiatives for peace and solutions in the country and the subcontinent had gained new momentum.

Reason was replacing emotion. The urgency of the problems demanding solutions was more widely appreciated and deeply felt.

South Africa looked forward to co-operation with a stable and prosperous South West Africa.

He said 1989 would be a challenging year and the government was assuming its responsibilities, trusting that all South Africans would be motivated by a common desire to live together in harmony in their fatherland.

The government believed the promotion of the welfare of the entire population to be its primary responsibility.

FULL CIVIL RIGHTS

In particular its aim was to realise full civil rights for all South Africans. This was the basis of the reform policy.

The government would continue to ensure that the security forces retained a high level of preparedness to counter revolution and other onslaughts.

The government rejected the view that the application of the state's power to maintain order was synonymous with the violence of terrorists.

Referring to constitutional development, Mr Heunis said the government remained committed to the view that solutions could be achieved through negotiation and would do everything in its power to win balanced South Africans for this cause.

The government was striving for a democratic system in which the diversity of all groups which wanted to uphold this would be retained and in which no community was dominated by another.

Mr Heunis's speech was approved by a panel of Cabinet members, including newly elected National Party leader, Mr F.W. de Klerk, political staffer Bruce Cameron reports.

Most Cabinet Ministers contributed to the speech, which was then compiled by Mr Heunis before it was approved by the panel.

Mr Heunis said South Africa achieved a growth rate of
(Turn to page 3, col 5)

Historic hand-out

by VIVIEN HORLER, Weekend Argus Reporter

FOREIGNERS cashing in on South Africa's troubled economy by buying prime Western Cape properties with cheap financial rands are doing the area the world of good, say estate agents.

But PFP finance spokesman Harry Schwarz believes South Africa's heritage should remain in South African hands — and that the system of financial rands disadvantages South African buyers.

There is no question of South Africa's heritage being stolen, says John van Niekerk, one of the trustees of the Buitenverwachting Farm Trust. In fact, the country's heritage is being restored and preserved by foreign money.

Mr van Niekerk believes that without the money and commitment of Richard Mueller, the German who bought Buitenverwachting in Constantia in 1981, the farm would almost certainly have been carved up and turned into high density housing.

Instead wine is again being produced on the farm, and at the 1987 International Wine and Spirits competition in London Buitenverwachting vines scooped three of the 12 awards won by South African wines.

British casino and zoo owner John Aspinall bought parts of the De Goede Hoop estate in footloek, developed by former Cabinet Minister John Wiley, who committed suicide in 1987. He had

sold off a large part of the estate, but Aspinall has been consolidating the property and has bought back 21 of the 46 two-hectare lots.

It was reported when he bought the core of the estate that he had paid R1,9-million and was spending "a fortune" on restoring the homestead. He has since paid out at least R750 000 for additional lots.

His main concern, according to Pam Golding estate agent Ray Dunlee, is to "restore the fynbos to its original splendour".

German winemaker Han Joachim Schreiber bought the historic Neethlingshof wine estate in Stellenbosch four years ago, and his investment to date is "a double-digit million figure".

He has spent R800 000 restoring the old homestead, converting it into a restaurant and kitchen, and has embarked on a complete vineyard replanting programme. So far 100 hectares have been replanted.

Mr Schreiber said: "I invested my money here because I believe in the future. Investment in wine farms or property is not a fast earner like bonds and stocks, but I am thinking in terms of years, if not decades."

"Foreign investment must be a good thing. With the South African economy as it is now the local investor would probably not be able to generate the kind of investment that a combination of local and foreign investors can generate."

Property agencies such as Pam Golding Proper-

ties and Seeff, both of whom have opened offices in London, are laughing all the way to the bank. But they also believe the sales are good for the country.

"Claims that foreign investors are pushing up local prices are simply not true," says Harry McCracken, national sales director for Pam Golding. "They're certainly taking up some of the slack available, but they're also doing a lot of good to the country by bringing in the foreign money they're spending to upgrade these properties."

"In one sale I know of a foreign investor bought a wine farm for R10-million and invested R11-million in improving the property. He's put that wine estate on the map and is now producing one of the best wines in the country. And the local farmers just don't have that kind of wealth."

"They're not just coming in and sucking South Africa dry — they're investing more money to improve what we've got here."

Mr McCracken, echoed by Lawrence Seeff of Seeff, insisted that it was not a case of one price for foreigners and one for locals, although the use of financial rands by foreigners means they are effectively able to buy more cheaply than locals. When buying residential property here, including blocks of flats, foreigners may pay half the price in financial rands, but may export rents in commercial rands.

Mr McCracken said Pam Golding's turnover for 1988 was R300-million countrywide, of which R40-R50-million worth of property went to overseas

buyers. This was not, however, only for residential properties.

Mr Seeff, managing director of Seeff, said sales to overseas buyers had represented R30-million of their R170-million turnover last year.

"Most of these consist of up-market houses which don't turn over at a rapid rate," he said.

Seeff sold possibly two R1-million residential properties a month in the Western Cape. Of total transfers amounting to R120-million a month in the Western Cape last year, Mr Seeff estimated sales worth about R4 - R5-million were to foreign buyers.

The advantage of foreign buyers for South Africa was that they expanded the market, he said.

"Before the financial rand system was introduced people weren't buying. This system gives the seller a greater opportunity to sell his house."

But Harry Schwarz has rejected the system.

"Wine farms and houses which are part of South Africa's heritage should remain in South African hands," he said. "For a foreigner to be able to buy the South African heritage for a song does not appeal."

"I don't mind the sale of a flat in Sea Point, because that has no particular heritage value, but for other properties to be given away in financial rands I believe is wrong."

"I don't want to see restrictions placed on the sale of these properties, but I think if they are to be sold they should be sold in commercial rands — they're cheap enough."

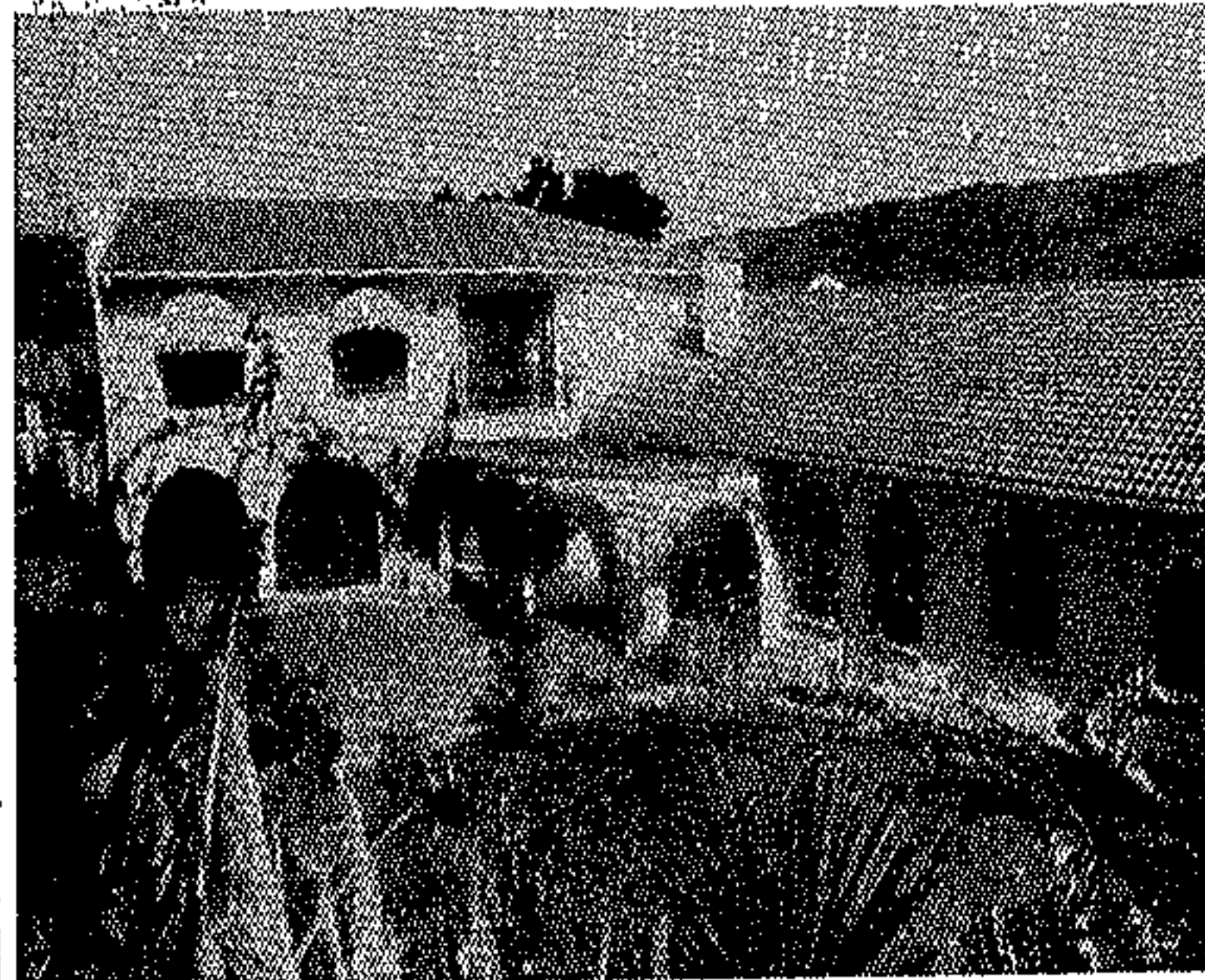
"Selling properties in financial rands puts South African buyers at a tremendous disadvantage, because the system creates an inflated market."

"Financial rands should be used only for projects which create new jobs, for projects aimed at the advantage of the country. I see no advantage for South Africa in using financial rands to buy what I call heritage property."



The restored homestead at Buitenverwachting, Constantia, bought by German Richard Mueller in 1981. He has invested "many millions" in the farm which once again produces wine.

P.T.O.



**Ukuthula, off
Claassens Drive,
Constantia. Sold to
a British couple for
R1,2-million in
September.
Includes pool,
tennis court, luxury
fittings, good
security and views
across to
Muizenberg.**



**Mount Rhodes,
Hout Bay. Sold to
British couple for
R490 000.**



**Malaga,
Kreupelbosch Way,
Constantia. Sold to
a British man for
R388 000.**

Housing prices up by 10% — United

123
HOUSING prices rose by 11% on a year-on-year basis during the final quarter of 1988, the United said.

This meant the average increase in housing prices was more than 10% during past year.

The group said a medium-sized house was now priced at R89 000 compared to R80 000 a year ago. On average, larger houses were priced at R128 000. Smaller homes were trading at R71 000. This gave an increase of between 14% and 9% over the past year.

The United said the price differential between new and existing housing widened to 33% during the last quarter of the year. A new medium-sized home now cost R116 000. Buying and establishing a similar sized home would cost R87 000.

An increase of 10% in building costs was cited as the main reason for the price differential.

The highest quarter-on-quarter increases in medium-sized houses was recorded in the Vaal Triangle with 8%, followed by the Free State and northern Cape with 7% and the East Rand with 6%.

House prices went down by 9% on the West Rand and 3% in the Durban-Pinetown area.

In spite of the fact that the bond rate rose by 36% during past year, in real terms this was 22%.

The United said the level of average mortgage repayments was still 48% below its 1984 peak and blamed the poor performance on the high level of inflation.

It said the market was expected to remain buoyant for the first part of this year because of a reversal in the net migration trend and the improved economic position in SA during last year and the first portion of this year.

However, the economic slowdown and higher real mortgage rate could have an adverse effect on property prices. — Sapa.

Stanbic home loans up R2-billion

AK645 8/2/89 (1) 123

STANDARD Bank's home loan business grew R2-billion in the year ended December 1988.

It now accounts for more than R3-billion of Standard Bank Group (Stanbic) assets and management sees scope for expansion as it is currently seen as one of the bank's core products.

This emerged from the group's annual report for the year ended December 1988.

Of the R7,6-billion rise in group assets to nearly R30-billion, the increase in the home-loan book accounted for more than R2-billion.

Standard Bank's 29 percent increase to R157-million at the taxed profit level in its contri-

bution to group profits reflected the sharp increase in home loan business.

Group MD Dr Conrad Strauss was not specific about margins in the home loan business, but said he was happy with the returns.

Stanbic, boosted by the strong showing from Standard, increased trading profit by 27 percent to R510-million.

Stannic made the second largest contribution to taxed income.

But its R31-million was down on the previous year's R34,6-million. The net figure was knocked by an increase in the general provision for bad debt.

Strong demand for instal-

ment and leasing finance resulted in Stannic accounting for about R1,2-billion of the increase in total assets.

Corporate demand accounted for about 50 percent of the R7,6-billion increase in the asset base.

The dividend has been raised 16 percent to 95c.

● Industrial holding company Klipton reported a 66 percent increase in turnover to R28-million for the six months to December 31.

Operating profit rose 101 percent to R2,6-million and pre-tax profit 89 per cent to R2,3-million.

Dick Usher

Record housing target set

PRETORIA — Government aims to sell a record 50 000 township houses this year — about 25% of remaining housing stock, said Transvaal Provincial Administration assistant director of housing Alex Weiss.

He said by the end of December, approximately 100 100 of the original stock of 333 907 houses from five years ago had been sold.

A countrywide balance of 233 082 was left.

Weiss said with government prepared to build houses only for the very poor, a big responsibility fell on the private sector to help their work-

ers become home-owners.

He added an increasing number of big private corporations and companies were helping.

In the Transvaal 72 139 of an available total of 233 968 houses had been sold by the end of December.

MEC in charge of community development and housing John Mayuso said with the expansion of house sales, a social revolution was in progress in the townships, contributing to the economic upliftment of the black community.

GERALD REILLY

984 7448 11/2/89 123

House prices soar by 11% in one year

JOHANNESBURG. — Housing prices rose by 11% on a year-on-year basis during the final quarter of 1988.

The United says that this means the average increase in house prices rose by more than 10% during last year.

The group said that a medium-sized house is now priced at R89 000 compared to R80 000 a year ago. Larger houses are priced at about R128 000 on average while smaller dwellings are trading at R71 000, an increase of between 14% and 9% over the past year.

United said the price differential between new and existing housing widened to 33% during the last quarter of the year.

It said that a new medium-sized home now costs about R116 000, while to buy and establish a house of the same size would cost the prospective home-owner about R87 000.

The main reason for the price differential is the increase in building costs, which United current estimates are running at 10% a year.

The highest quarter-on-quarter in-

creases recorded in medium-sized houses was recorded in the Vaal Triangle with 8%, followed by the Free State and Northern Cape with 7% and the East Rand with 6%.

House prices went down by 9% on the West Rand and 3% in the Durban-Pinetown area.

The United pointed out that in spite of the fact that the bond rate rose by 36% during the course of the year, in real terms the increase was 22%.

The group also pointed out that the real level of average mortgage repayments is still 48% below its 1984 peak because of high levels of inflation the poor performance of house prices during this period.

The United stated that it expected to increase by an average of 13% during the coming year which will be outstripped by an expected inflation rate of 15%.

It said that it expect the market to remain bouyant in the first part of the year because of a reversal of the net migration trend and the improved economic position of the average South African during the last year and the first portion of this year. — Sapa



S/Times 12/2/89

WHITE SPOTS MAY BE GIVEN OVER TO BLACKS

123

By LESTER VENTER
Political Correspondent

WHITES may be moved from thinly populated neighbourhoods and their houses sold to blacks, according to a plan being investigated by the Government.

The authorities will offer to buy all white-occupied houses in these areas and induce residents to settle elsewhere.

The houses will then be offered for sale to blacks.

The "white spots" plan is behind several hints by top Nationalists this week that changes are coming in the way the Group Areas Act is applied.

The programme, if adopted, will run parallel to existing plans to create a number of legal "grey" — or mixed race — areas.

Officials are already pinpointing suitable areas for conversion.

Both Mr F W de Klerk, the National Party's new leader, and Mr Chris Heunis, the acting State President, said in Parliament this week that a new deal was envisaged for the Group Areas Act.

Imbalance

The aim would be to make the manner of its implementation acceptable to all, they said.

Officials say a "historical imbalance" has arisen whereby there is too much housing for whites, and not enough for blacks.

The artificial pressures thus created must be eradicated before Group Areas legislation can be relaxed — and residential areas allowed to develop their own character without strict enforcement of ethnic segregation.

The Government is believed to be looking at — among others — areas on the West Rand near Soweto, where whites are thinly spread.

Although eradicating the shortage of quality black housing is a key to Group Areas reform, the Government does not intend to launch any costly housing programmes.

White spots for black houses plan

CAM-T 112/85
13/2/89

123

By ANTHONY JOHNSON
Political Correspondent

THE government has started looking at selected white residential areas to help resolve the huge backlog in black housing.

The move, still in the planning stage, forms part of a broader government rethink on how the Group Areas Act should be applied.

The Deputy Minister of Constitutional Development and Planning, Mr Roelf Meyer, said yesterday: "The government is looking at a totally new way of dealing with the problem."

Mr Meyer, who is the minister charged with responsibility for the Group Areas Act, said that simply to apply the Act as in the past was "just not on".

"We have to look at alternatives," he said.

One of these would entail earmarking sparsely populated white neighbourhoods for possible future black occupation. If whites living in these areas accepted offers from the authorities to buy their houses, these could later be sold off to high-income blacks.

It appears that certain areas on the Reef, particularly the West Rand, could become the test cases for this experiment.

Mr Meyer said that such a programme, if implemented, would form only part of the government strategy for dealing with the housing shortage among blacks.

Others included encouraging the building of accommodation in existing black areas and the soon to be proclaimed Free Settlement Areas or racially mixed areas.

Ministers noted in Parliament last week that consideration was being given to making the Group Areas Act less controversial.

However, the government does not want to scrap the Group Areas Act at this stage as it fears that the shortage of black housing would lead to the inevitable swamping of white suburbs in which there is an oversupply of houses.

By increasing the availability of houses for black people in black and mixed areas, the government hopes to reduce long-standing imbalances and hence the pressure on existing white suburbs.



not want her to see her boyfriend as he is not of their class. Lisa senior is

an republic... the science...

Paper walls 17/2/89.

The average home today is, in real terms, worth about one-third less than its 1984 value. And, if a home bought in 1979 for investment purposes was to be sold now, the seller would, in real terms, receive exactly what he paid for it.

Perhaps, on the face of it, not the best return in the world on a pure speculative investment. The saving grace for the owner/occupier is the fact that a home bought in the Seventies will, in value terms, have managed to keep pace with the double digit inflation rate that has dogged SA in the Eighties.

That may be particularly bad news for those who bought four or five years ago, but the good news for today's buyer is that the housing market appears to be close to the bottom of the price cycle. Furthermore, though today's homeowner may be straining under the burden of high bond repayments, these are, in reality, 48% lower than they were back in 1984.

This emerges from the United Building Society's *Quarterly Housing Review* for the last three months of 1988. Real prices are real prices of the day, deflated by the consumer price index.

Hans Falkena, United's research head, explains: "In 1984 there were two peaks. Firstly house prices in real terms reached a pinnacle and the mortgage rate was also peaking. Accordingly, those who bought then paid a great deal of money.

"Since then the home buyer has benefited from a decline in the mortgage rate, but the fall in the real house prices wasn't to his advantage."

His view is corroborated by Trust Bank economist Nick Barnardt, who says that between 1984 and 1986 there was a decline of up to 50% in values. "Between then and last year there has been a gain of between 10% to 20% in real terms which means that house prices are probably still about 30% below

(123) FMMML 17/2/89.

1984 levels in real terms."

Falkena adds that a new average-priced, medium-sized house of 140 m² to 220 m² in 1984 cost about R90 000. That same home, in real terms, would fetch about R60 000.

"Even if one doesn't look at the extremes of the housing cycle, for example, the same bond in 1982 would have involved instalments of about R1 000 in real terms compared to an equivalent payment today of R700 in real terms (R1 235 nominal price), making it 30% cheaper.

"So today's home buyer is buying relatively cheaply. One doesn't have to be a genius to work that one out when one considers that one can pay more than R100 000 for a Mercedes-Benz and the average house costs R80 000. It shows there is a sort of distortion in the property market."

He adds that another indicator of just how cheap houses are at present is the growing disparity between the prices of brand new homes and existing houses. A new, medium-sized home sells for about R116 000 compared with an older dwelling of the same size for about R87 000. "This happens because building costs are higher than house prices. It is not possible to rebuild at current prices."

But what of the future? "There are signs that prices are lifting (11% on a year-on-year basis during the last quarter of 1988). Nominal house prices between 1984 and 1986 either moved downwards or sideways, but they have been rising steadily since 1987. Even taking inflation into account this is attractive to homeowners because of the gearing achieved through having a bond." ■



SA faces costly housing challenge

CAT Trunks 20/2/89

123
SA

Staff Reporter

A TOTAL of R10,8-million will have to be spent on housing each day for the next 31 years to accommodate South Africa's predicted population of 70,2-million in the year 2020.

This is one of the challenges facing South Africa if the latest population growth predictions by the deputy director of Stellenbosch University's Institute for Future Development, Mr Johan Grobbelaar, prove correct.

For the government to begin providing housing for the expected population in 2020, and to provide for the current backlog, 25 hectares of land will have to be developed daily.

Each plot of 300 sq m, with 150 sq m of infrastructure accommodating six people, will cost R20 000, with a total cost of over R10-million.

But, financing these houses

may become even more difficult than at present.

Mr Grobbelaar says: "The employment growth rate in the formal economy is dropping fairly rapidly, and currently it is almost at a standstill.

"People are investing in capital instead of labour and, according to my predictions, even with a two percent growth rate, 55 percent of the total labour supply will find itself in the informal sector in the next century."

This problem is compounded by whites emigrating, because, according to Mr Grobbelaar, every skilled person in South Africa provides job opportunities for five unskilled people.

"In 1985 the potential labour force was 18,7-million, and in 2020 it will be 43,87-million, but the number of whites in the labour pool will remain much the same as now," Mr Grobbelaar said.

It also appears that the South African population is ageing on average. This process is taking place far more rapidly among whites than other population groups.

"The median age for white males in 2020 will be 36,75, compared to 28 in 1985. In comparison, the median age for black males will be 22,99 in 2020 compared to 19,54 in 1985.

Ageing process

"This illustrates the increase in the generation gap between blacks and whites," he said.

The general ageing process, however, will result in 9,03 percent of the population being over the age of 60 in 2020.

"These changes in the overall population will necessitate continuous business adaptations as it becomes increasingly obvious that many products and services will have to be aimed at older people.

SAIRR ^{13 (Day 20/2/89)} warning on township stability ⁽¹²³⁾

GOVERNMENT was unlikely to achieve long-term stability in the townships unless it was willing to alter the local government system significantly, the SAIRR said.

In *Fragile Figures?* → The 1988 PWV Township Elections, an analysis of last year's municipal elections, author Harry Mashabela said polling figures by no means indicated endorsement of the constitutional system.

He said: "Government will have to

begin dealing with all township groups, including those who oppose the system, to frame an alternative which enjoys wider support."

Mashabela's analysis covered the Pretoria/Witwatersrand/Vereeniging townships, where percentage polls were lower than the national average (17,3% opposed to a national figure of 25%). This is the country's most populous and economically important urban region, and a failure to win credibility for offi-

cial local government here could have serious implications for long-term stability.

The analysis said: "Polls appear to show that, even in the absence of a boycott campaign, township residents remain at best indifferent to the official local authorities."

In spite of sustained voter-registration campaigning, few areas showed polls approximating the total eligible population. — Sapa.

**Call for policy
to provide**

'shelters'

ALAN FINE

IN THE absence of a big state-financed housing initiative, it had become necessary to address the accommodation shortage in terms of forms of shelter rather than proper housing, the Labour and Economics Research Centre's Taffy Adler said yesterday.

He told the FSA Contact 1989 industrial relations seminar that there was a shortage of 1.8-million housing units, in a situation where only 25% of blacks could afford even the cheapest available formal housing. Without the first-time homeowners state subsidy, that figure fell to 11%.

The figures made it clear private sector projects could do little more than provide housing for the small numbers of high-income earners.

Adler, a consultant to the trade union movement on housing and related matters, said several steps had to be taken before even the most elementary forms of shelter could be brought within the reach of most people.

Firstly, to counter land shortages, what was required was the abolition of all restrictions on land purchase by blacks.

Employer groups should lobby government, perhaps together with the labour movement, for the release of land at reasonable prices.

Another requirement was the need for cheap finance and subsidies for people wishing to build shelters.

'Living benefits' policy

By Day 22/21/81
THE new concept Easibond policy introduced by assurers AA Life has extended the company's "living benefits" scheme to homeowners burdened by high mortgage bonds.

Easibond holds two powerful advantages, says AA Life. It provides death cover for one or both spouses and it also covers permanent disablement suffered by bondholders.

Easibond also offers an optional savings plan to help the holder repay bonds ahead of time.

"With the recent distressing rise in bond repayments, we could not have timed Easibond's market entry better," says Bruce Howard, AA Life's Deputy General Manager, Marketing.

"By investing as little as 10% off a current bond instalment, the repayment term of a 20-year bond of R100 000 at 18% would be reduced by as much as 6,25 years, there-

by saving the homeowner R104 325 in subsequent repayments."

Howard says that increasing rate levels have again focused homeowners' attention on just how strategic an investment his home really is — and the importance of shortening the repayment period if this is possible.

A survey among homeowners highlights two real needs — repayment of the bond in full in the event of death or disability, and bond repayment as soon as possible.

"Furthermore, the option is there to purchase new amounts of life assurance should the owner wish to purchase a more expensive home — and we make this available without any further evidence of insurability," says Howard.

"The flexibility of Easibond counters rising interest rates since cover can be increased at regular intervals regardless of the homeowners' state of health."

Townhouses led '88 building boom

123
10/22/89

EDWARD WEST

THE total value of building plans passed in 1988 increased by 38,9% over 1987, Central Statistical Service (CSS) reported yesterday.

The value of buildings completed in 1988 rose by 19,3% over the previous year.

The sector showing the largest growth during the year was townhouse and flat development where the total value of building plans passed rose 122%, while buildings completed rose 55%.

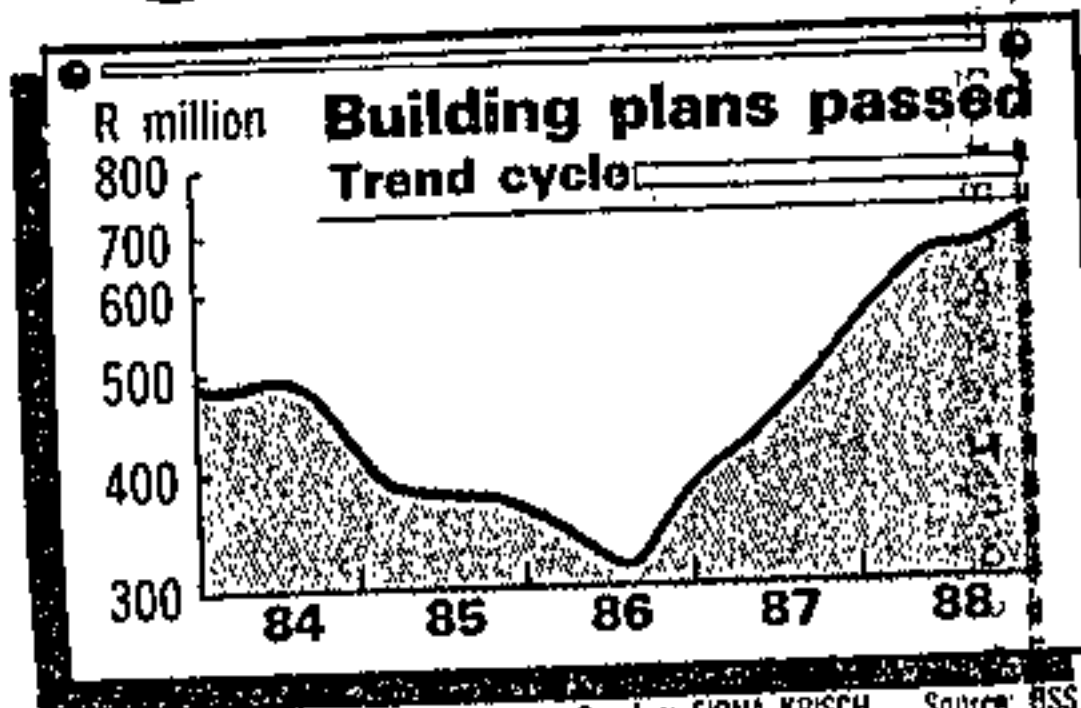
The total value of building plans passed for 1988 was R7,7bn, compared to R5,6bn in 1987.

The value of buildings completed in 1988 totalled R4,1bn (1987: R3,5bn).

A CSS statement says the biggest increase in the value of plans passed and buildings completed was for townhouse and flat development.

The urban area of Sandton was the main contributor to the increase in flats and townhouses development.

The main contributors to non-residential building occurred in the Wit-



Graphic: FIONA KRISCH Source: CSS

watersrand and Cape Town.

Director of Concor Construction Willie Mowlan said there were indications that the growth experienced in the building industry last year would slow down in 1989.

He said the building industry was experiencing the normal early-year rush, but this was expected to cool down later in the year. There was a definite trend in the past year in the building of medium- to low-cost housing.

Chairman of Boumat construction, Mirvine Britain said he expected the demand for housing to continue unabated in 1989 even though disposable incomes would decline.

PROPERTY

AMT 1000 22/2/89 (123)

Flats, townhouses spark 50 pc construction surge

Business Staff

BUILDING plans for flats and townhouses were the mainstay behind impressive 50 percent jump in the year-on-year value of plans passed in December 1988.

Figures just released by the Central Statistical Service show that over the whole year the value of plans passed in 1988 totalled R7 731-million against R5 564-million for the previous year — a 39 percent increase in value.

While the value of plans for flats and townhouses passed in December 1988 showed the greatest year-on-year gain at 121 percent, the value of plans for non-residential building and additions and alterations were also well up with increases of 74 percent and 77 percent respectively.

The urban area of Sandton was the main contributor to the increase in respect of flats and

townhousing, while the main contributors in non-residential buildings were the urban areas of Cape Town and the Witwatersrand.

Over the whole of 1988 the total value of plans passed for flats and townhouses was at R633-million compared with houses at R3 224-million and additions and alterations at R2 103-million.

At R4 126-million the total value of buildings completed for December 1988 increased by 20 percent compared with December 1987 (R3 456-million).

Increases occurred in respect of houses (18,2 percent), flats and townhouses (55 percent), and additions and alterations (43 percent) while a decrease of 7,5 percent was recorded in non-residential buildings.

Even allowing for sharply

higher building costs, the latest figures confirm that 1988 was a year of booming house building.

Costs show no sign of slackening and United, the country's largest building society, estimates house-building costs are increasing at about 10 percent a year.

Against this, the average purchase price of an older medium-sized house has been on the decline since 1984 after adjustment for inflation.

As a result, the price differential between a new house and an older house has widened to about 33 percent.

A new medium-size home currently sells at about R112 000 in the Western Cape while older houses of the same size (150 to 220 m² building area) cost R100 000 on average, according to a United survey.

Fuel price to go up again on April 1

Homeowners reel as bond rates rocket

By Peter Fabricius and Finance Staff

Hit by higher transport tariffs, a fuel price increase, rising inflation and a one percent rise in the bank rate, South Africa's economic Indian summer has ended and a bleak economic winter lies ahead.

This was today forecast by Mr Harry Schwarz, Progressive Federal Party finance spokesman, following the latest round of increases announced yesterday.

Mortgage rates and all other interest rates affecting borrowers are set to rise by another one percentage point as a result of yesterday's rise in the bank rate from 14,5 to 16 percent.

Banks and building societies have made no announcements so far, but there is little doubt that the prime lending rate and most other interest rates are due to be increased by at least one percent.

Senior bankers indicated this morning that they will increase the prime rate by one percentage point to 19 percent, paving the way for higher hire-purchase rates and other borrowing rates linked to prime.

There is some consolation for consumers in the fact that interest rates on savings will also rise.

It also seems certain that mortgage bond rates are set to increase by one percentage point.

Most of the major banks and building societies currently charge 18 percent on both new and existing bonds, with the exception of Standard Bank and Nedbank (17,75 percent on new bonds) and Saambou (18,25 percent on new bonds).

One month's notice

Building societies will have to give one month notice of an increase, so the earliest they could implement an average 19 percent bond rate is by April 1. Banks, however, can affect changes in their rates immediately.

Says Mr Terry Power, Standard Bank's general manager, home loans: "Bond rates will certainly increase but details are still being worked out."

Hardest hit by the latest increase in mortgage rates will be homeowners with outstanding mortgages to banks and building societies. Since April last year the mortgage rate has increased on average from 13 percent to current levels of around 18 percent.

A further increase of one percent in mortgage rates will mean that the monthly repayments on a mortgage of R100 000 will

increase to R1 621 a month, compared with a repayment of R1 172 a month when the rate was 13 percent.

Repayments on a mortgage bond of R50 000 will increase to R810 a month at an interest rate of 19 percent compared with R584 a month in April last year.

Reacting to the depressing economic news, Finance Minister Mr Barend du Plessis said that South Africa was paying the penalty for too rapid growth and too much credit last year.

Minister of Transport, Mr Eli Louw, announced an average increase of 8,7 percent in all Sats tariffs yesterday.

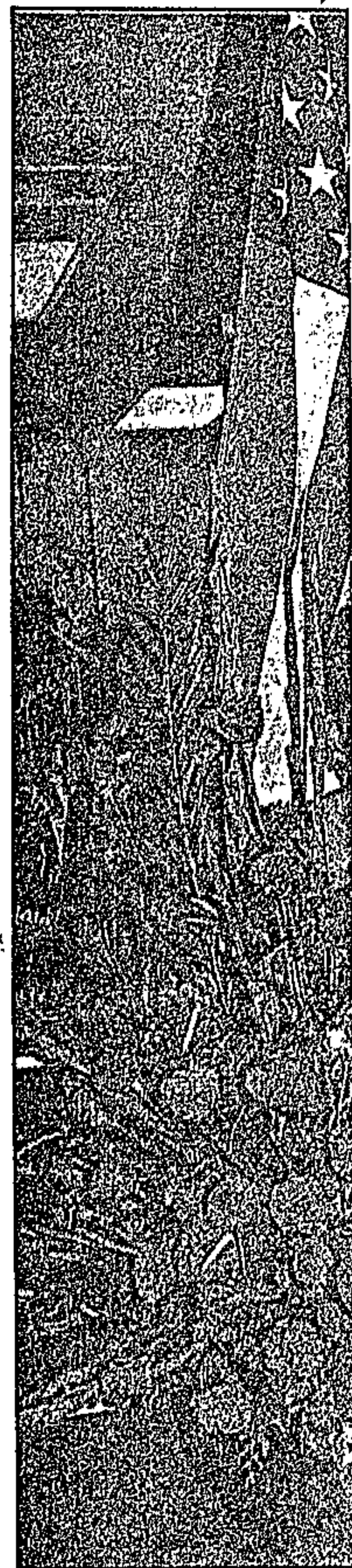
Mr Danie Steyn, Minister of Economic Affairs and Technology, confirmed the increases would be automatically added to fuel prices when the new tariffs came into effect on April 1.

'Additional hardship' for SA's consumers

By Paula Fray

The Housewives' League reacted sharply today to yesterday's announcement of increases in the bank rate and South African Transport Services (Sats) tariffs, and warned of possible ripple effects in the economy.

Mrs Lyn Morris, president of the league, said the Sats budget would mean additional hardship for the "already hard-pressed South African consumer".



Top floral arrangers from arov flower show staged in South At centre in Johannesburg. Inspect window is Tracey McNamara (which ends on Sunday, will include arrangers, a wedding bouquet housewives and scholars. The Chelsea Flower Show in England

HOME BUILDING & BUILDING

Interest-free offer!

Sowetan 23/2/89

123

Low rate up for grabs

BUYERS of new houses built by national home-builders, Vista Homes and Time Housing — subsidiaries of JSE-listed Time Holdings — have been offered a fixed interest rate of 14,75 and 14,95 percent respectively on their bonds for the next two years.

In a statement issued recently, Mr Mike Graham, managing director of Time Housing, said the offer — over three percent lower than average interest rates of 18 percent — was designed to give home buyers "some peace of mind in a particularly difficult economic environment."

"Rising interest rates and higher building costs have created a lot of uncertainty in the housing market. We're trying to promote some stability to the situation by offering a fixed interest rate and giving buyers some peace of mind for the next 24 months," Mr Graham said.

Time Housing's homes are offered at a fixed interest of 14,95 percent, while Vista's are available at 14,75 percent.

The 3,25 percent bond rate reduction means that a home buyer would save about R125 a month on a R50 000 bond.

By SY MAKARINGE

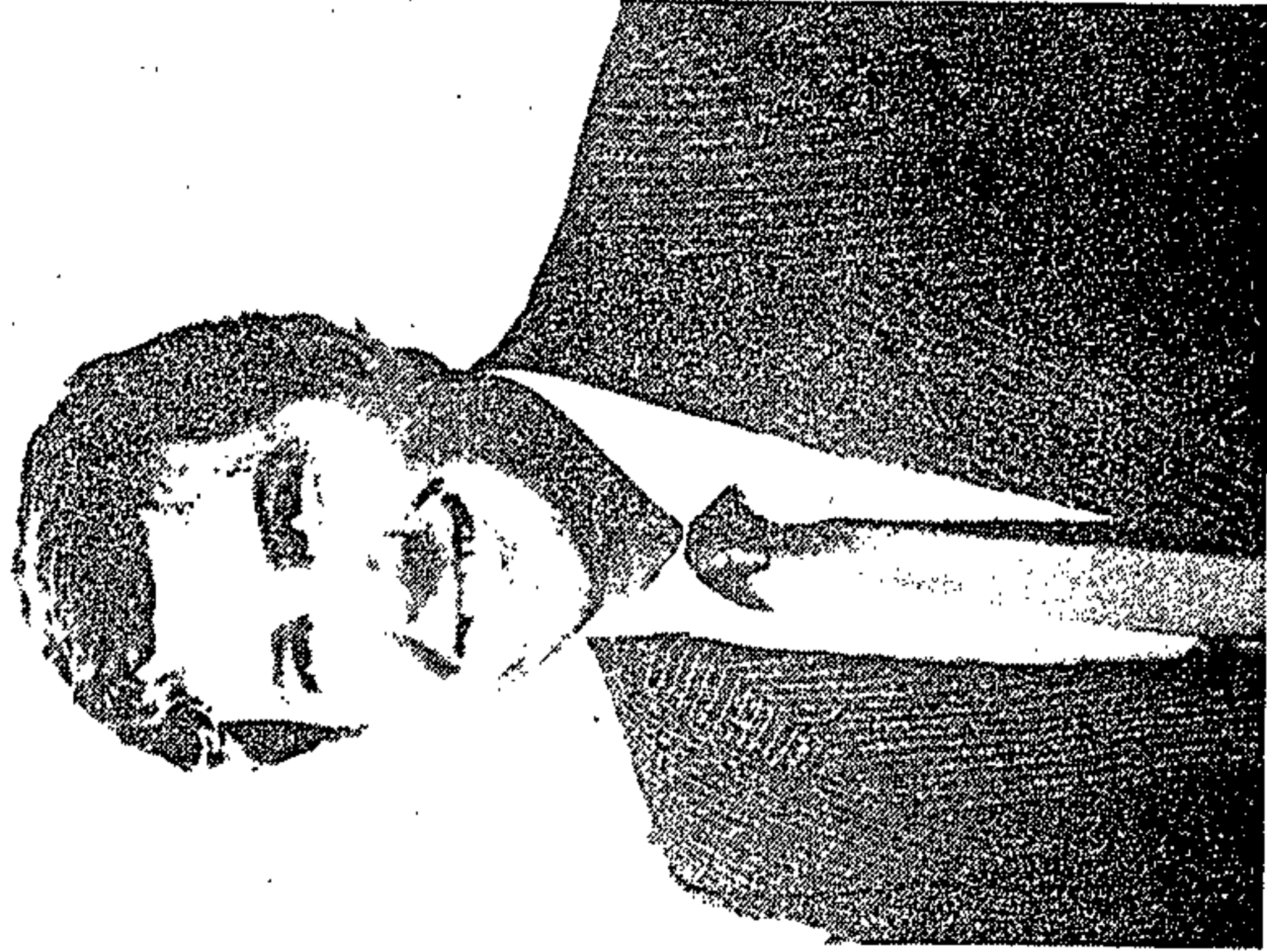
Time Housing acquired Vista Homes in September last year and is now one of the largest home building companies in the country.

The fixed interest offer is available for all Time and Vista housing developments and has, according to Mr Graham, already been launched in several housing projects.

Mr Graham assured potential home buyers that there were no hidden clauses in the new offer.

"The 3,25 differential is not added to the buyer's bond at some later stage or 'absorbed' in obscure finance charges. We're simply subsidising the difference between 14,75 percent rate and the bank and building society's interest rate.

"Basically, it means we would rather sell more houses with a smaller profit than less houses with a large margin. We're also confident that interest rates will come down again, which means our subsidy will not be necessary when the rates settle at more realistic levels," Mr Graham said.



Mr MIKE Graham . . . managing director of Time Housing.

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S 2384

Houses up for grabs

Soweto 23/2/89 123
ABOUT 69 percent of State-owned houses offered at discounts of up to 40 percent are still up for grabs, according to a survey conducted by the Department of Community Services.

Mr Alex Weiss, assistant director of housing of the Department of Community Services, said 102 000 or 31 percent of the 332 727 houses which were put on the Government's "Big Sale" in 1983 had already been sold countrywide.

He said the number of houses which were still up for sale were more than 230 000. The total is made up of 158 923 houses in the Transvaal, 30 308 in the Eastern Cape, 17 387 in the Western Cape, 5 961 in the Northern Cape, 5 661

in Natal and 12 427 in the Free State.

He said the "Big Sale" was a great success in the Northern Transvaal where all 1 409 State-owned houses were bought under the scheme by the registered tenants.

He added the campaign

achieved a 54 percent success in the Central Transvaal where 7 379 of the 13 657 houses were sold.

Mr Weiss expressed optimism that more houses would be sold during the course of this year.

HOME IMPROVEMENTS

Architecture a vibrant art form

Sowetan 23/2/89 123

ARCHITECTURE and its execution come together to form a vibrant art form, representing many peoples and cultures.

South Africa is a complexity of diverse cultures and people, who are keen on improving their standard of living along Western lines.

One of the most desirable standards is owning a home of one's own, a house which reflects the owner's personality through its architecture.

The roofing forms 70 percent of the exposed area of a house which gives the architecture of the house its distinct touch — making the home safe and protecting the owner's considerable investment.

Providing for varied designs is extremely difficult considering the harsh climate of South Africa. Coverland, the country's largest concrete roof tile manufacturer, rose to this challenge, and provided

many superior quality products and colours, designed for the discerning home-owner, providing warmth and aesthetic beauty.

It is not only the fine expression one can achieve with these products, or the range of magical colours that makes Coverland tops in concrete roof tile manufacture, it is also the knowledge that Coverland is represented countrywide by seven modern manufacturing plants situated in Vereeniging, Benoni, Brits, Bloemfontein, Cape Town, Port Elizabeth and Durban.

Coverland's concrete roof tiles were the first to receive the SABS mark of approval in 1976. This was only the start, Coverland's stringent controls and dedicated staff ensure that these standards are not only adhered to — but exceeded!



THE FHA Homes, a utility company of the Urban Foundation, has, since its inception, about six years ago, sold a staggering 18 000 residential stands and 5 000 houses, according to Mr Brian Longley (above), Chief Executive Officer of the company.

Mr Longley said until 1987, the company's method of operation was to provide land and financial help for owner built homes. He said 1987 saw the company moving into a larger market by offering contractor built homes.

The turnover of the company, Mr Longley said, has shown a meteoric rise. In 1984 products to the value of R2,6-million were supplied while during 1987/88 the figure rose to R54,9 million.

Brace yourself for the squeeze

Star 24/2/89

123

Household budgets, already stretched by last year's cost-of-living increases, will be strained even further by another increase in the prime lending rate, which is expected any day now.

This follows the announcement by the Reserve Bank that monetary policy is being tightened even further by an increase of 1,5 percent in the Bank Rate.

Mortgage rates and all other interest rates affecting borrowers are expected to increase from 18 to 19 percent, paving the way for higher hire purchase rates and most other borrowing rates linked to prime.

In addition, the new 8,7 percent increase in transport fares has resulted in an increase in the petrol price from April.

Some estate agents and property economists expect mortgage rates to go as high as 20 percent before the end of June, causing a slowdown in property sales and lower prices.

Repayments rocket

Mortgage rates will have increased by 3 percent in only five months, which means that a monthly repayment of R695 on a R50 000 bond over 20 years paid last October (at 16 percent) will cost R810,34 a month (at 19 percent).

A R75 000 bond taken over 20 years at 19 percent will cost R1 215,51 a month and a bond for R100 000 will cost R1 620,68 a month. A monthly repayment of R2 025,85 will be made on a R125 000 bond and a R2 431,02 monthly repayment on a R150 000 bond.

Economists have predicted that, as a result of the new prime rate, the maximum hire purchase rate will be raised from 28 to 29 percent. This is in the wake of the 4 percent increase in Usury Act ceilings last November.

At the current maximum hire pur-

The predicted increases in prime rate and Bank Rate will have far-reaching effects throughout the South African economy, and strained household budgets will feel the brunt of them, reports **HELEN GRANGE**.

How increases will hit your pocket

BOND	16%	17%	18%	19%
R50 000	R695	R734	R772	R810
R75 000	R1 043	R1 100	R1 158	R1 215
R100 000	R1 391	R1 467	R1 543	R1 620
R125 000	R1 737	R1 834	R1 929	R2 025

The interest rate for bonds is expected to reach 19 percent.

HIRE PURCHASE					
		24%	28%		
PRICE	R30 000	R50 546	R53 786	} FINAL COST	
	R70 000	R137 200	R148 400		

The maximum interest for car hire purchase will reach 28 percent.

chase rate of 28 percent, buying a car on HP can also prove to be a very costly exercise in the long run.

Mr Mike Carstens, general manager in charge of marketing at Nedfin, gave the following figures:

A R30 000 car at 28 percent paid over four years can eventually cost R53 786, compared with a final cost of R50 546,88 at the old maximum rate of 24 percent.

A R70 000 purchase at a 28 percent HP rate paid over four years could eventually amount to R148 400.

Only 18 months ago, the maximum rate under the Usury Act was 22 percent.

Mr Carstens stressed however that these figures correlated with the maximum lending rate and that lower rates could be negotiated with financial institutions in most cases.

Time Holdings cancels R11m Vista deal

9/11/89 BRENT MELVILLE (123)

TIME HOLDINGS, the three-pronged financial and management group, has cancelled its R11m purchase of the major PWV and western Cape home-builder Vista Homes.

Time was entitled to cancel the agreement if Vista did not meet its pre-tax profit target of R3m for the year to December.

"Vista's results for the said period fell short, the agreement has been cancelled and ownership of Vista has reverted to the Bezuidenhout family," said Time CE Colin Hibbert.

The buyout was originally intended to complement the group's subsidiary, Time Housing (which represents about 40% of turnover), by expanding into the middle- to low-income white and coloured markets in the PWV and western Cape, in which Vista is a leading homebuilder.

Compensated

Time has advanced a total of R4,5m in purchase payments and is taking steps to recover the amount.

Time Holdings' preliminary results indicate a healthy turnover increase of 72% to R182,6m (R105,9m), slightly down on a forecast turnover of R200m but more than compensated for by an 86% rise in earnings a share to 26c (14c) — an increase over the prospectus forecast of 30%.

This flowed from a 132% increase in attributable profits to R8,03m (R3,5m) — 46% higher than the conservatively forecast R5,5m.

A dividend 10c a share is to be paid. Hibbert said Time Life surpassed expectations for its first year of operations and contributed to group profits. He said Time Holdings would accept nothing less than a 30% turnover increase this year.

Property market surges

123 8/25/89
FRANK JEANS
THERE has been a sudden surge in the property market with thousands of homes being offered for sale and some experts believe it has been caused by sellers anxious to clinch deals before there is another rise in the bond rate.

Although there is no indication from banks and building societies yet that the bond rate will go up, the latest increase in the prime rate must inevitably mean another increase in the bond rate sooner or later.

And as the country's economic situation is widely expected to worsen, many more homes may come on to the market as

people begin looking for ways to consolidate their financial positions by selling bigger homes and buying smaller ones.

Estate agents, however, dismiss the idea that the surge in selling is a "panic situation". They say it is more in line with present buoyant conditions.

Mr Mannie Osband, chairman of Camdon's Nationwide, says: "We have vast numbers of potential buyers on our books and people, generally, are avidly looking at property."

"This is in line with the enthu-

● To Page 2

People keen to buy

123 8/25/89
● FROM PAGE 1.

8/25/89
123
siasm among South Africans today to own their own homes. Certainly, there is no running scared by buyers."

Mr Piet Hamman, chairman of De Huizemark, endorses this view and points out that his group has had "an incredible month", recording nearly R40 million in turnover.

And the effect of the bond rate going to 19 per cent? Mr Hamman says it will be another knock for the homeowner at the lower end of the market but there will be no change in the middle to upper income sectors.

Dip predicted in house prices during year

Star 25/2/89

123

HOUSE prices can be expected to dip by an average 5 percent this year, forecasts Stellenbosch Bureau for Economic Research (BER).

BER's latest building and construction survey disputes as "highly unlikely" forecasts by some analysts of a 13 to 15 percent rise in home prices during 1989.

However, a decline of 5 percent "is probably overly pessimistic", the BER adds.

"If house prices could only notch up a 12 percent increase in 1988, which was the peak of the business cycle, it is hard to see how house prices could improve on this performance during 1989 - a year when the economy is set to decelerate.

"The prognosis has a severe implication for builders of middle-class homes: not only has the effective demand for new housing dried up substantially - the effect of rising mortgage rates - but profit margins will also be caught in a pincer movement of stagnant or declining retail prices on the one hand and sharply rising input costs on the other."

According to BER's building cost index, costs increased by 24 percent in the fourth quarter of 1988 compared to the corresponding period of the previous year.

The third quarter of 1988 showed an increase of 21,7 percent and this "unexpected upward movement may be ascribed to an increase in profit margins, especially if the downward trends in the increases of materials and labour costs are taken into consideration."

The year-on-year in-

FINANCE STAFF

crease in building costs may be ascribed to the year's buoyant business conditions, claimed BER.

"The relationship between competition for tenders and price movements in building costs is indirect. During lively business conditions profit margins in tender prices increase and this puts upward pressure on building costs."

According to the Central Statistical Services, says BER, materials prices rose by 16,4 percent and labour costs by 14,1 percent in the first three quarters of 1988.

In the corresponding period of 1987 the aver-

age increase was 12,1 percent.

However, main reason for the substantial increase in building costs "was an increase in profit margins".

BER added: "Materials cost as measured by the Haylett Index actually increased at a slower rate in the last quarter of 1988 while the Building Cost Index increased at a faster pace, which indicated that larger profit margins might have been built into tender prices.

"This increase in profit margins showed that competition for tenders slackened in the fourth quarter, which implied an increase in profit margins.

"Lively business conditions in the building industry will lead to an increase in the demand for building materials and shortages will develop.

The increased demand coupled with the shortage in building materials will result in higher materials prices and this will be shown as an upward movement in the Haylett Index."

Upward movement in the Building Cost Index implied more upward pressure on materials prices.

"This means profit margins would once again be squeezed next year..."

Time ditches R11m Vista deal

S Times 26/2/89 123

TIME Holdings announced excellent results for the year to December simultaneously with the news that it is to walk away from its R11-million Vista Homes investment.

Chairman Colin Hibbert says: "We did the Vista deal in October based on financial projections, not audited numbers. Vista guaranteed a taxed profit of R3-million. The pre-tax projection was R6-million for three years."

"But when it became apparent Vista would not make that figure, we decided to terminate the deal. We did not want a problem child diverting our attention."

Maximum

Time paid an initial R3-million to the Bezuidenhout family for its stake and lent Vista R15-million. It has written off R15-million in case it is unable to recover the full amount.

Mr Hibbert says the provision is the maximum amount at risk. Vista has liquidity problems. But it should be able to trade its way out of its difficulties, he says.

Time is also not interested in the "interest-sensitive" white housing market, to which Vista is still exposed.

Time reports sales up by 72% to R182,6-million, trading profit 90% ahead at R12,2-million and taxed attributable profit up 132% to R8-million. Earnings a share rose by 86% to 26c. A 10c dividend has been declared.

Safe

Shareholders may receive new shares instead of dividends. The price of the shares will be based on market value at April 14.

The results are startling viewed against the company's short history. Turnover in 1984 was R4,1-million and taxed profit R48 000. Earnings leapt to R306 000 in

By David Carte

1985 and to R3,5-million last year.

Mr Hibbert says Time Housing is four times the size of Vista. It accounts for 45% of group profits. Time does no speculative building. It sells housing, then manages township development. Its debtors, being building societies, are safe.

Mr Hibbert says the black housing market is so big that Time can afford to concentrate on people in secure employment whose employers assist generously with housing.

Time Housing procures options over property, lays out and designs townships before signing up buyers. It gets townships proclaimed and then hires contractors to lay in roads and services and to build the houses. It is selling 5 000 houses a year.

"It sounds like a licence to print money but it isn't. It takes considerable management skill. A few companies have lost a fortune in this business. We attribute our success to the high quality of our people and their generous incentives."

Margins

Mr Hibbert says the emphasis in housing has been on growth. Now the company has acquired critical mass, new emphasis will be placed on margins.

"If we can improve our margins by three percentage points, we can lift pre-tax profit in the housing division by 50%."

The property management division, which concentrates on commercial, industrial and mining property development, brought in 30% of taxed profit. This division spots good property, procures options, designs a concept for the property, then sells the idea to an institution. It oversees construction.

A burgeoning interest these days is executive edu-

cation. Rex Drew, former head of management training at Damelin, provides management education that fills a gap between "elitist" university business schools and correspondence colleges.

An "exotic" diversification for Time is the life-assurance side, which grew out of house sales.

"When you sell a house, you invariably sell a mortgage protection policy. Several of our house salesmen have experience in selling life cover. Selling mortgage protection comes naturally to them."

"We have had a couple of general managers from life companies in the division, but we lacked an overall boss and an in-house actuary. That is why we were delighted when Bill Haslam, a senior general manager of Southern Life and an actuary, expressed interest in joining us."

"Our life company made a profit from year one, which is unusual. We expect earnings growth in life to be good, but the division will also help us to grow assets. Many a life company has diversified into property. We are doing the reverse."

Tankers

Mr Hibbert is not deterred by the competition in life assurance. He believes the big assurers are like oil tankers — small ones, which are more manoeuvrable, can score.

Time's dividend cover has been increased from 2,3 to 2,6. This, together with the bonus dividend offer, indicate a desire to conserve cash.

"We can turn over every rand we retain so many times, we virtually spin it. It makes sense to hold on to what you can."

The directors decline to forecast, but Mr Hibbert says 30% growth is the group estimate. The share price of 130c is 5 times earnings and gives a yield of 7,7%. Time is one of the best companies of the 1987 listings boom. Management is top calibre and prospects are bright. It deserves a better rating.

THE WEEK ON THE JSE

DE Beers took on a brilliant sheen in the eyes of investors this week, the share surging to a year high.

The price jumped from 4 925c to 5 375c before easing 15c. Results are due in a few days and are expected to be the best ever. The share's all-time high was 5 915c in October 1987. Trans-Hex also climbed by 100c to 1 000c.

All the rand hedges strengthened because of a weak gold price. But gold picked up towards the end of the week on the back of a lower dollar, stronger oil and higher American inflation.

The rand rallied to 248,50c to the dollar as gold clawed its way back from \$381 to \$389.

The bank-rate rise from 15% to 16% and coming increases in bond and overdraft costs did not dampen market sentiment — they had been expected.

RALLY

The 90-day bankers' acceptance rate reached 16,4% — the highest for three years, reflecting the shortage of money at this time of the year.

Richemont climbed for the second successive week to a high of 1 355c, closing 20c lower, but 75c up on the week. First Investment Trust put on 160c to 1 450c.

Metkor added 75c to 315c, and Dorbyl 20c to 1 650c, but Berzack eased after its recent gallop. It gave up 80c to 650c.

Autopage picked up 5c to 125c after dropping to 105c. Control of the group has been taken over by Altech, but Autopage has in turn bought Telerate after out-bidding Times Media.

Samancor hit a new high of 2 250c, closing at 2 200c for a 150c gain. CMI added 50c to a peak of R19 a share. Palamin also added 50c to 5 325c.

Msauli picked up another 55c to 430c, bringing its gains since March last year to 330c. Gefco also hit a new high of 155c, closing at 145c.

Zaaiplaats jumped by 40c to 260c after a warning notice.

Mining financials rallied towards the weekend. Anglo American added 325c to R73,



De Beers for the best

By Julie Walker

Gencor 600c to 7 775c and Johnnies R10 to R640. Gold Fields of SA firmed R2 to R68 and Cons Gold put on 120c to R101. Minorco eased R1 to 5 275c.

The Allied was again volume leader as talk resurfaced of a deal with First National Bank. The price added 25c to 160c.

Hunts added 100c to 900c, but the preferred ordinaries eased 15c to the same level. W&A put on 100c to 4 800c and the preferred ords climbed 150c to 4 750c.

Kersaf gained 150c to R14 ahead of results and after good results from Sunbop, Transkei Sun and Interleisure.

1989 increase in earnings is expected

Annual year-end has been changed to December, and the results reported are for the six

By Udo Rypstra

ARCHITECTS and quantity surveyors, usually the first to detect changes in building activity, are losing confidence.

Architects report that the number of projects at sketch-plan stage has decreased considerably compared with a year ago.

Quantity surveyors say they are unhappy about work opportunities, but report that the number of projects at bills of quantities stage has not fallen dramatically.

Survey

The Bureau for Economic Research (BER) of the University of Stellenbosch reported this week that building contractors surveyed in



Architects, surveyors feel pinch

S/Times 26/2/89

the last quarter of 1988 expected a decrease in building activity and were dissatisfied.

"They are, however, not experiencing the same severe downturn that the architects and quantity surveyors are reporting."

The BER has also warned builders of middle-class houses that the effective de-

mand for new housing has dried up as a result of increased mortgage rates.

It says: "Profit margins will also be caught in a pincer movement of stagnant or declining retail prices on the one hand and sharply rising input costs on the other".

The BER differs from an opinion published in the United Quarterly Housing Review last week that prices of existing houses will increase by about 13% this year. It accepts the verdict of the Rode's Report that house prices will not show any significant increase this year.

"A 13% to 15% growth in house prices during 1989, as is predicted by some analysts, is highly unlikely. If house prices could only notch up a 12% increase in 1988, which was the peak of the business cycle, it is hard to see how house prices could improve on this performance during 1989 — a year when the economy is set to decelerate."

High

In the residential sector, the value and volume of work compared with ago has fallen markedly, says the BER.

It says interest rates are expected to remain high, or even to rise, with a resultant decrease in demand for money.

"In total, it can be said that indicators show that building activity in the non-residential sector has already started to move sideways and that the higher profit margins built into tender prices will again be squeezed during the coming months."

The MINISTER OF TRANSPORT AFFAIRS: The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes, inspections are carried out twice during each eight hour shift over every twenty four hour period.

(2) Yes, on 14 January 1989.

(a) On 14 January 1989, approximately two hours prior to the person having been observed at 11h49.

(b) A Black man gained unauthorised access to the runway area and proceeded to run across the take-off path of an Air Zimbabwe Boeing 737 aircraft. The captain of the aircraft therefore had to brake sharply to avoid running down the person concerned.

(c) (i) Two tyres required replacement; and
(ii) Approximately R1 200.00.

Passenger transport: subsidies paid to bus companies

68. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

What total amount was paid to bus companies in respect of subsidies for the transport of passengers in the (a) Johannesburg/Pretoria, (b) Cape Town/Peninsula, (c) Port Elizabeth/Uitenhage and (d) Durban/Pinetown areas in the 1987-88 financial year?

B169E

The MINISTER OF TRANSPORT AFFAIRS:

(a) R115 053 011,99

(b) R 37 211 683,61

(c) R 11 994 578,78

(d) R 55 652 221,87

The honourable member's attention is drawn to the fact that the amount reflected under (b) above includes payments in respect of commuters of the magisterial districts of Cape Town, Bellville, Simon's Town, Wynberg, Stellenbosch, Kuilsriver and Goodwood.

72. Mr P G SOAL asked the Minister of Manpower:

(a) How many applications for the (i) establishment of conciliation boards in terms of section 35, and (ii) appointment of a mediator in terms of section 44, of the Labour Relations Act, No 28 of 1956, were (aa) made and (bb) approved in 1988 and (b) in respect of what percentage of the approved applications were the disputes settled in each case?

B173E

The MINISTER OF MANPOWER:

(a) (i) (aa) 3 035

(bb) 1 550

(ii) (aa) 1

(bb) 1

(b) Conciliation boards — 29,6 per cent
Mediators — Nil per cent.

Huisman

HOUSE OF ASSEMBLY

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Independent Black states: diplomatic staff

1. Dr W J SNYMAN asked the Minister of Foreign Affairs:

In which suburbs of cities and towns in the Republic are diplomatic staff of the four independent Black states housed?

*The MINISTER OF FOREIGN AFFAIRS: Mr Chairman, in replying to this question I assume that under diplomatic staff the hon member for Pietersburg includes consular staff. I also assume that the hon member is referring to the Transkei, Bophuthatswana, Venda and the Ciskei, because there are more than four independent states in Africa that have representation in South Africa. The hon member has indicated that that is what he means. Consequently I shall reply to the question I amended for him.

The answer is as follows. All four of these countries that I have mentioned have embassies in South Africa's capital cities, and consequently have embassy staff who are resident—for the purposes of the question—in those capital cities, viz Pretoria and Cape Town.

With reference to consular staff, the Transkei has consulates in Bloemfontein, Durban, Johannesburg, East London and Port Elizabeth. Bophuthatswana has consulates in Johannesburg, Bloemfontein, Kimberley, Potchefstroom, Vryburg and Welkom. Venda has consulates in Johannesburg and Pietersburg, and the Ciskei has consulates in Bloemfontein, Durban, Johannesburg, Cape Town, Newcastle and Port Elizabeth.

*Dr W J SNYMAN: Mr Chairman, the hon the Minister was much calmer in replying to the question about these things today than he was six years ago when I asked him a similar question in March 1983. That was also during Question Time. At the time I wanted to know whether he

intended to grant permission for Venda's consular staff to live in Pietersburg. On that occasion the hon the Minister let rip with what one can almost call verbal diarrhoea of six and a half columns in Hansard. It was the longest reply I have ever heard in this House, and he accused me . . .

*Mr S J SCHOEMAN (Sunnyside): Mr Chairman, on a point of order: On a prior occasion it was ruled that "verbal diarrhoea" could not be used because it was unparliamentary.

*Dr W J SNYMAN: I withdraw it, Mr Chairman.
*The CHAIRMAN OF THE HOUSE: The hon member may proceed.

*Dr W J SNYMAN: On that occasion the hon the Minister accused me of a statement I had made in a letter I had addressed to him. I quote:

Dit was onder meer die totale miskenning en gebrek aan respek van die Regering vir die gemeenskapslewe van die inwoners van Pietersburg wat betreur word, en dit noop ons om onder meer hierdie standpunt in te neem.

I address that very same accusation to that hon Minister and his Government today. They do not care a rap about the established and traditional pattern of living in our own residential areas. [Interjections.] The hon the Minister must not insinuate as he did at that stage that we are acting in an insulting way towards a neighbouring country and its government. On the contrary, the then consular representative of Vendaland, the late Mr Netsituka, made a courtesy visit to me at my office. He was a friendly man, and we had understanding for one another's points of view. What is more, there was a fixed understanding between him and the Pietersburg Town Council and the then ambassador of the RSA in Vendaland that the town council would develop an exclusive diplomatic quarter for this purpose, just as there are identifiable diplomatic residential areas in Western cities such as The Hague and Washington, to mention only two. [Interjections.]

Let me make it very clear. The CP supports trade relations, diplomatic contact and co-operation with neighbouring countries, but I have reason to suspect that this hon Minister influenced that government so that ultimately they did not accept

Huisman

the town council's proposals. I say this with reference to the gentleman's agreement that existed. I do not know whether or not the hon the Minister was aware of it. [Time expired.]

Mr C W EGLIN: Mr Chairman, this question of the hon member for Pietersburg ends up as a competition between the Government and the CP as to who is the most ridiculous in terms of racial attitudes and patterns in 1989. [Interjections.]

The hon member said that one should have separate enclaves. He does not mind Blacks living in servants' quarters, he does not mind Blacks living in high-rise flats serving people, but as soon as they stand there with dignity, he has an objection.

I want to put the following to the hon the Minister: Surely the right that the Government gives to Blacks, provided they are foreign diplomats, to live in White areas undermines the concept of White separateness in residential areas. If Blacks from other countries in Africa can live in White suburbs, why in blazes cannot Black South Africans live in White suburbs? [Interjections.] Why should there be a differentiation made between Blacks who have diplomatic passports and Blacks who may be representatives or people of equal status and dignity? Why cannot they too have these rights?

We want to say to the hon the Minister we hope that in the new mood of free association he will remember his speech of November 1974:

Yes, we do discriminate against people on the grounds of race in South Africa and we do not defend it. We will do everything in our power to move away from discrimination on the grounds of race or colour.

That was fifteen years ago! I want to ask the hon the Minister if he is going to use his influence and power with his new leader to move away from the archaic situation of race discrimination when it comes to residential suburbs and move into a genuinely new South Africa, "a totally new South Africa", to use the words of the hon new leader of the NP, where people on the basis of free association can live where they want to live and associate with whom they wish to. [Interjections.]

*The MINISTER OF FOREIGN AFFAIRS: Mr Chairman, there is no such thing as a formalised

enclave or a demarcated place for diplomats anywhere in the free world. In Pretoria we also have a so-called diplomatic residential area, but this is not enforceable. They are not told that they must stay there.

None other than Dr Malan said in 1951, when he piloted the Diplomatic Privileges Act through this House, that diplomatic representatives had the freedom to live wherever they pleased anywhere in the country. At that stage Mr J F T Naudé was the MP for Pietersburg. He was part of the Government and he supported that.

*The MINISTER OF NATIONAL EDUCATION: Dr Malan is too left-wing for the CP!

*The MINISTER OF FOREIGN AFFAIRS: Now, 38 years later, I have to discuss that in this House. On 9 September 1969 Mr Vorster said . . .

*Mr J H VANDER MERWE: What do you say?

*The MINISTER: . . . that there was no such thing as a code for White diplomats and a code for non-White diplomats. There was only one code for all diplomats. The dialogue between our previous ambassador in Venda and the Pietersburg Town Council was initiated by me, not by him. I spoke to our ambassador and told him this was a sensitive matter and that he should tread cautiously in dealing with all the interested parties in this regard, because we were eager to get the agreement of the Pietersburg Town Council. I asked him to explain the position with regard to international law and the Diplomatic Privileges Act, to prevent feelings from being hurt and to prevent an international incident with banner headlines in newspapers in other parts of the world saying that Pietersburg was taking the same direction as Boksburg had. It was to prevent something of this kind from damaging our country's interests that we tried to resolve the matter behind the scenes. [Time expired.]

*Mr S C JACOBS: Mr Chairman, it is typical of the rhetoric on that side of the House to compare Boksburg and Pietersburg with one another. [Interjections.] As far as diplomatic staff are concerned, they have nothing to do with one another. We are specifically asking the hon the Minister whether it is his or his department's standpoint to make specific residential areas available to diplomats, a practice that exists in numerous other states in the Western World.

*HON MEMBERS: Where?

*Mr S C JACOBS: I can refer to Bonn, The Hague and numerous other places.

My second question is whether the hon the Minister can deny that this practice exists in other states.

In the third place I want to ask the hon the Minister whether the Department of Foreign Affairs complies with section 7 of the Diplomatic Privileges Act, in terms of which they have to ensure that the Government provides compensation for the loss in income suffered by a local authority as a result of the tax exemptions due to diplomatic officials. If the answer to that is a positive one, we should like the hon the Minister to mention a few specific examples in which town councils were compensated for the loss in tax revenue.

*Dr W J SNYMAN: Mr Chairman, I should like to ask the hon the Minister whether, since he agreed to the purchase for this purpose of a residential erf and a house in a residential area that is predominantly CP, he will give us the address. I know that if they make it known today, the neighbour will telephone me tomorrow morning to object. If he is a Nationalist, he will tell me he rejects that standpoint of the NP. I can guarantee hon members that. [Interjections.] That is why I should like the hon the Minister to tell us exactly where in Pietersburg the person is going to live.

*Mr J H VANDER MERWE: He might move in next to a De Klerk!

The MINISTER OF FOREIGN AFFAIRS: Mr Chairman, I would like to start by replying to the hon member for Sea Point. It is not true that I am in competition with the CP about this matter. I have stated the position of the Government quite clearly and I am sure that the hon member agrees with me.

The supplementary question that he asked about the right of Black South Africans to live amongst White South Africans has nothing to do with the Diplomatic Privileges Act. Nothing! That is a different matter which this Government is trying to face up to, namely the whole question of group areas and discrimination. My hon leader has made his position quite clear as far as discrimination is concerned and since I made that statement in the United Nations way back in 1974,

dramatic steps have been taken in South Africa to remove discrimination. The hon member knows that. More steps will be taken to remove more discrimination.

*Once again, with regard to the question about the diplomatic residential areas, we have a diplomatic residential area in Pretoria, but it is unoccupied to a great extent. The law says one cannot compel a diplomat to go and live there. They have a free choice in the matter. This is not my law. It is an Act of Parliament that was passed in 1951. There is no way in which to compel them to live there; otherwise they can do the same thing to us abroad, because it is in conflict with international law.

I am not the one who approved the purchase of the specific piece of land. The Act grants other governments the right to purchase properties where they please. The Act grants that right. I cannot reject it. That is how the hon member should see it. I did my best, through our ambassador in Venda who can confirm this, to arrange this matter behind the scenes in the best possible way. If the hon member does not accept my word on that, he need not, but ultimately I have to contend with a legal provision—it was instituted by Dr Malan and followed by all civilised countries in the world—which we have to honour.

Instead of encouraging people to object, we should encourage our people to have discussions with all South Africans and to understand that it is in the interests of this country to have diplomatic relations with the largest number of states in the world for the sake of our trade and our prestige and to treat one another with mutual respect and esteem. [Time expired.]

Debate concluded.

Mr Albert Vermaas: charges withdrawn
2. Mr J B de R VAN GEND asked the Minister of Justice:

- (1) Whether criminal charges laid against a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, have been withdrawn; if so, what are the relevant details;
- (2) what steps have been taken to ensure that this person and his assets do not leave the Republic?

*The MINISTER OF JUSTICE: Mr Chairman,

Hummond

HOUSE OF ASSEMBLY

THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

QUESTIONS

123

Indicates translated version.

For written reply:

General Affairs:

Cape: land made available for Blacks

41. Mr J J WALSH asked the Minister of Constitutional Development and Planning:

- (1) Whether he is considering declaring any land available for (a) informal housing, (b) formal housing, (c) commercial development and (d) industrial development for Blacks in the (i) area covered by the guide plan for the Cape Peninsula approved by him in 1988, (ii) Cape metropolitan area and (iii) area falling under the jurisdiction of the Western Cape Regional Services Council; if so, (aa) where, (bb) what is the nature of such development, and (cc) when is it anticipated that this land will be made available in each case;
- (2) whether each of the communities affected have been consulted or are to be consulted on proposed developments; if not, why not;
- (3) whether he will make a statement on the matter?

B98E

HOUSE OF REPRESENTATIVES

QUESTIONS

Indicates translated version.

For oral reply:

General Affairs:

Eastern Province: water from other sources

*1. Mr W J DIETRICH asked the Minister of Water Affairs:

- (1) whether it is the intention of his Department to bring water from other sources to the Eastern Province; if not, why not; if so, (a) when and (b) from what sources;
- (2) whether he will make a statement on the matter?

The MINISTER OF WATER AFFAIRS:

(1) Yes.

(a) Water from the Orange River is already being supplied to the Sundays River Valley and provision has been made to supply Port Elizabeth with water once the local sources are fully utilised.

(b) Orange River and possibly later from the Umzimvubu River.

(2) Yes. In parts of the Eastern Province and in particular the Port Elizabeth area water shortages are presently being experienced due to a severe drought. A drought of this magnitude inevitably has an influence on the calculations made in the planning process of Government Water Schemes and must accordingly be taken into consideration. Such an exceptional occurrence can, however, not be used as a basis for calculations. Once predictions indicate that water shortages can arise in the future, the Department of Water Affairs will look at the possibility to augmenting the yield of the existing sources. In the implementation of this policy the Department of Water Affairs already brings water from the Orange River to the Eastern Province for irrigation purposes in the Fish and Lower Sundays River Valleys. The Department of Water Affairs is at present engaged in the construction of water works aimed at extending existing irrigation development by approximately 10 000 ha. Provision has already been made for the future supply of water to Port Elizabeth from the Orange River Development

B170E

The MINISTER OF TRANSPORT AFFAIRS:

69. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

How many (a) Black, (b) Coloured and (c) Asian persons were employed by the South African Airways as (i) cabin attendants and (ii) clerks as at 31 December 1988?

- (a) (i) 0
- (a) (ii) 11
- (b) (i) 10
- (b) (ii) 5
- (c) (i) 6
- (c) (ii) 5

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Hummond

Project. The hon member is referred to the Seventh Supplementary Report on the Orange River Development Project, White Paper C—86.

Due to the fact that water transferred from other catchment areas is an expensive undertaking it is the policy of the Department of Water Affairs that local sources should be fully utilised in the first instance.

Regarding the rest of the Eastern Province in general the Department of Water Affairs is presently planning the water supply over the long term and certain schemes have already been implemented, for instance the Amatole Government Water Scheme which will supply water to East London. There are several smaller communities which are, or will be experiencing water problems in future, and it seems at this stage that the only solution for these communities will be the use of underground water sources. The exploitation of underground water sources are in most cases the most economic solution and it is therefore in the interest of the water consumers that these sources be utilised.

The Government has set as its goal the supply of sufficient water for basic needs at an affordable rate to all water consumers. The Department of Water Affairs is continuously planning in order to ensure that the available sources are fully utilised and to give effect to the afore-mentioned Governmental aim.

For written reply:

Own Affairs:

1. Mr C J KIPPEN asked the Minister of Education and Culture:

What was the (a) average and (b) percentage attendance of pupils in schools under the control of his Department in each province for 1986 and 1987, respectively?

C7E

The MINISTER OF EDUCATION AND CULTURE:


	1986	1987
(a) Average attendance	655 924	671 703
Cape Province	28 137	29 458
Natal	14 403	15 855
Orange Free State	64 372	67 036
Transvaal	1986	1987
(b) Percentage attendance	94,8%	95,7%
Cape Province	94,1%	97,5%
Natal	95,9%	96,1%
Orange Free State	92,8%	95,2%
Transvaal		

Political Staff

CAPE TOWN — Government should give urgent attention to the fact that bond repayments for many first-time buyers had gone up by 50% or more, PFP MP for Pinelands Jasper Walsh said yesterday.

He said the extra R13m needed by the House of Assembly Administration following keen response in the first-time home owner subsidy scheme was encouraging.

Concern over big rise in bond repayments

(123) 
"However, despite the subsidy, we have to be concerned regarding the upward trend in interest rates," he said during the first reading debate on the Additional Appropriation Bill for the House of Assembly.

"In many instances, bond repayments have had to be increased 50% or more.

"Whereas the decision to buy a house

BIDCAY 1/3/89
would have been based on a considerably lower repayment which fell within the means of the purchaser, this is no longer the case. I believe this is most unfortunate and is placing a considerable financial burden on individual home owners."

Walsh urged Budget Minister Kent Durr to give the matter his urgent attention.

Government guidelines 'prejudicial'

11/3/89
GOVERNMENT interference in the free market forces influencing the property industry consistently leads to an unbalanced market, where prices are inflated and demand is pitched unnaturally high, claims Peter Erasmus, executive director of the SA Property Owners' Association.

"Over-prescriptive development guidelines and excessive restrictions with regard to such issues as parking provision in the Johannesburg CBD leave developers very little room to manoeuvre," he comments.

"For example, when a new industrial area is proclaimed, property prices in the affected area skyrocket — while prices for neighbouring properties just outside the proclaimed area remain static.

"This is prejudicial to both the would-be developer (and, in the long run, his tenants) and to property owners outside the proclaimed area,

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VAL PIENAAR

whose properties may be affected by the development of an industrial area on their borders but who are not given the opportunity to negotiate a sale with the developer."

Erasmus believes "guidelines" should be precisely that, with the authorities designating potential areas for development in far more general terms that left room for negotiation between owners and developers.

At the same time, he is vigorously critical of government's stated policy of preventing continued industrial development within the PWV area to promote decentralisation.

"It is illogical to assume that if growth is retarded in one area it will naturally occur elsewhere, yet a recent White Paper on urbanisation stated that the present practice of creating a shortage of industrial land

within the metropolitan core areas should continue.

"While one doesn't question the merits of decentralisation, such a policy should be implemented only by means of encouragement and incentives, and practices which inhibit the development of industrial land by decree should be eliminated," he adds.

Erasmus also comments on another statement by the White Paper on urbanisation — that an objective in implementing urbanisation will be "the prevention of ... economic activity in large urban centres".

"In line with this, the draft guide plan for the central Witwatersrand exercises strict control over the availability of further industrial land in the area — irrespective of whether or not there is any demand for industrial expansion. This rigid control has a clear negative impact on economic growth," Erasmus adds.

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Director: Vista owes R3,5m

Own Correspondent

JOHANNESBURG. — Vista Homes has been placed under provisional liquidation in the Rand Supreme Court with about R3,5 million owed to trade creditors.

Mr Justice G Leveson granted an order provisionally winding up Vista Homes on Tuesday after an urgent application by the company itself.

A director of Vista Homes, Mr Christian John Bezuidenhout said in an affidavit that although the company's assets exceeded its liabilities by R1,4m, it was commercially insolvent.

Mr Bezuidenhout said Vista Homes could not pay its debts as and when they fell due.

About R3,5m was owed to trade creditors. Of this R1m fell had fallen on January 31 this year and Vista Homes was unable to pay it.

Mr Bezuidenhout said the company's principle source of income comprised amounts owed to it by buyers of homes constructed by the company.

"However, about 90% of transfers presently being effected are in respect of properties over which there are mortgage bonds regis-

tered in favour of companies or institutions which have lent monies to Vista Homes," he said.

"The funds generated from these transfers are being used to discharge these bonds.

"As a result a very small portion of the proceeds of transfer are being received by the company."

Mr Bezuidenhout said the company's liquidity problem meant that Vista Homes was unable to pay any of its suppliers during January this year and was still unable to do so.

"There is no reasonable prospect of the company being able to discharge any of its other liabilities in the foreseeable future."

Mr Bezuidenhout said the company was also incurring further liabilities on a daily basis in respect of sub-contractors who were performing on-site services.

Vista Homes had also been unable to borrow further funds, and had used its overdraft facility to the full.

Mr Bezuidenhout said that without an immediate injection of funds, Vista Homes could not continue operating.

The return date for the application is April 11.

2/3/89



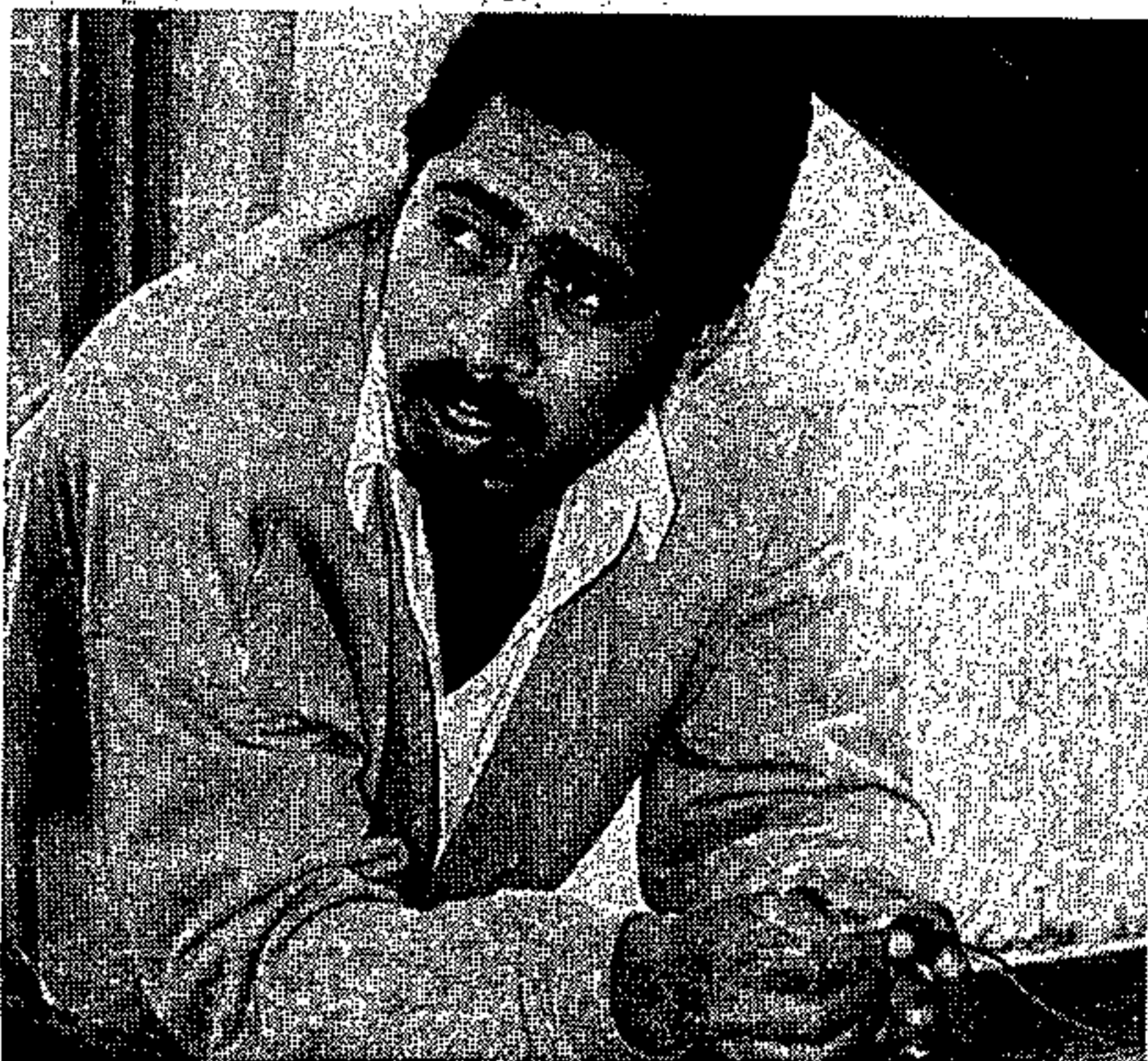
Mrs. Rosemary Magiera: Struggling to sell her house



Mrs. Karen Leetjer: Owning a house "worse than a nightmare"



Mrs. Yasmin and Nuraan Samsodien: No money for food soon



Mr. Shawn Arendse: Bitterly regrets buying his house

8/3/89

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Cash Crisis

Breaking point!

THE dream of owning one's own home has turned into a nightmare for thousands of homeowners faced with crippling interest rates and the soaring cost of living.

In Morgenster, a new housing scheme in Mitchells Plain, at least seven homes have been repossessed in the past three months, with several families moving out in the middle of night.

As the latest jump in the interest rate takes its inevitable toll, hundreds of families are teetering on the brink of what estate agents call the "breaking-point".

In Morgenster, despair hangs like a dark cloud over the neat rows of attractive, freshly-painted homes.

A year after the first families moved in the "For Sale" boards are fast being erected in almost every street.

But Morgenster is only one of many areas where homeowners are showing signs of buckling under financial pressure.

Many residents, several months in arrears with bond repayments, are abandoning their homes in the middle of the night.

The hike in interest rates — up from 13 percent to a staggering 18 percent in the past nine months — has pushed up bond repayments from as much as R200 to R400 a month.

Some families, who qualified for a home a year ago on the joint income of husband and wife, are having to fork out up to 80 percent of a salary as one of the partners becomes unemployed.

With scores of families several months in arrears with their rents, an alarming number of homes are being repossessed by banks and building societies as families fail to meet the higher repayments.

The housing boom of the past two years — which fulfilled a dream of owning one's own home for thousands of families — has come to an abrupt end.

Not surprising, the demand for new houses has dropped by about 50 percent.

"It's worse than a nightmare," said Morgenster resident Mrs Karen Leetjer, echoing the frustration of hundreds of families who are fast reaching their "breaking-point".

Jump in interest rate

"Who on earth can afford to pay these high rents? All we can do is wait for another summons."

Leetjer admits she and her husband are several months in arrears with their repayments.

In less than a year their repayments have almost doubled from R476 in March last year to R912 with the current jump in the interest rate.

For example, the Leetjers bought their home when interest rates were at an all-time low of 12,5 percent in early 1987. They then watched in horror as interest rates increased by more than 40 percent over the next 10 months.

Leetjer, like many other residents, has got used to the phenomenon of neighbours suddenly packing up and disappearing — often during the night.

"They're there in the evening and then gone in the morning," she said.

For those families reeling from the shock of their increased bond repayments, the spiralling cost of living has placed on them an even heavier burden.

"It's been a terrible year," bemoaned Mrs Yasmin Samsodien, of Morgenster.

"When we moved in they made it sound so simple, only R450, but now we are paying R750 a month.

"The house is not worth it, but I don't think I can go back to living in a room or separate entrance with four children," she said.

Like so many first-time homeowners, the Samsodiens qualified for a house on the basis of their joint income.

She has since become unemployed and now about 75 percent of her husband's salary is spent on repayments.

Mrs Rosemary Magiera, whose repayments have increased from R726 to R906 in recent months, said she bought her house because she was "desperate" for accommodation.

"But I don't know for how long we can continue going to the bank to say that we can't meet our repayments," she said.

"It's becoming impossible. My husband can just about afford to feed us.

"And it isn't just our family. There is hardly a person in this area who isn't in arrears."

The Magiera's have tried four different estate agents to get their house sold, but without success.

"I don't think we will be able to afford to feed ourselves if the interest rate goes up again," she said.

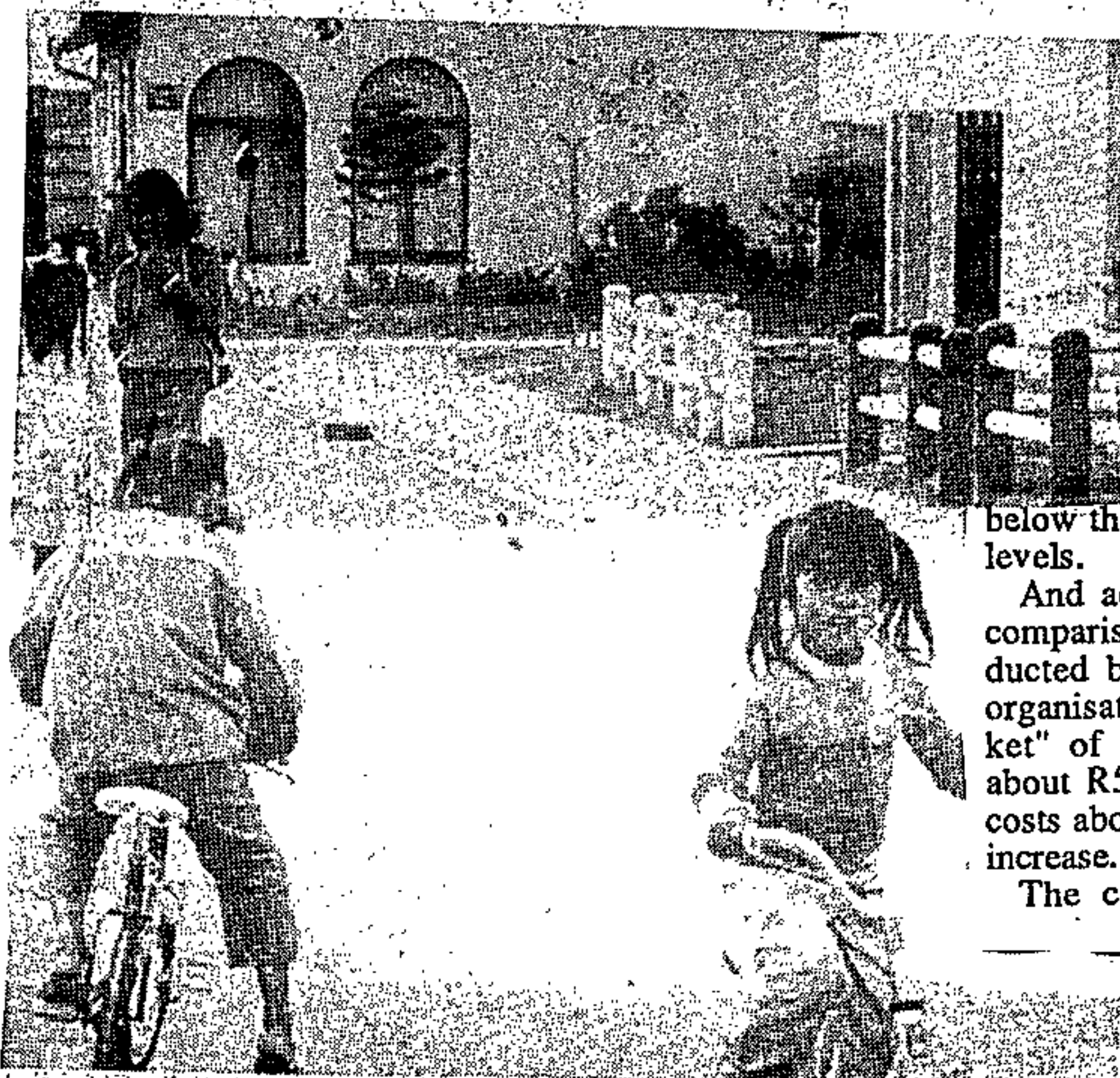
Morgenster resident Mr Shawn Arendse said he deeply regretted having bought his home.

"I would have been much better off just living in a room now that my payments have increased from R500 to R870," he said.

2/3/89 to 8/3/89



Trapped in a vortex of spiralling rates and prices, many families are battling to keep up their mortgage repayments. And for some families facing "breaking point", the only option is to abandon their homes.
HENRY LUDSKI reports:



below the minimum subsistence levels.

And according to a monthly comparison of food prices conducted by a local housewives' organisation, a basic "food basket" of 29 items, which cost about R50 two years ago, now costs about R75 — a 50 percent increase.

The consumer has taken a

A single bus fare ticket to Mitchells Plain has increased from R2,21 in 1986 to R3,00 in January.

Very little has escaped the inflationary cycle — not even the once inflation-free box of matches, which has shot up in price from one cent to seven cents in the past five years.

Price increases have been registered across the entire

Playing here today, somewhere else tomorrow? The worries of arrears and repossessions affect everyone in Morgenster

A LEADING economist has issued a dire warning to all consumers staggering under the weight of soaring interest rates, fuel, transport and food price hikes.

Brace yourself, he says — there are even tougher times ahead with more shock increases expected in the next few months.

Dr Ockie Stuart, director of the Stellenbosch Bureau for Economic Research, views the latest round of price increases as the start of a new upward inflationary cycle.

Stuart expects the crunch to come towards the end of 1989 when the economy will be in "very bad shape" and inflation set to take an even bigger chunk out of pay packets.

In recent years South Africans have generally become poorer with salaries lagging behind inflation.

A survey of cost increases over the past years reveals a grim picture of how South Africans have been affected.

Thousands have been

Brace yourself for more hikes

battering from all sides with rail and air fares and bus tariffs increasing by an average of more than 30 percent since 1986.

A first-class single ticket from Cape Town to Mitchells Plain has jumped from R1,90 in January 1986 to R2,80 — and fares are set to increase again by between eight and 13 percent in

IF IT'S

a boom

why

all

the

gloom

2/3/89

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By IRAJ ABEDIAN
THE current economic situation in the country seems at best confusing to the man in the street. The economic professionals speak of an economic boom as well as the authorities. But reality proves different. Daily it is becoming harder to make ends meet. Prices keep going up, salaries don't seem to

keep pace with inflation, and the authorities continue to raise the rate of interest. For instance, prime overdraft rate was 12 percent. At the year it was 13 percent as opposed to more than 18 percent currently. Such a dramatic impact on the well being of the income groups especially on the middle and lower

In terms of mortgage payments alone, it has caused close to an average 45 percent increase in the monthly bond payments. For the average income payer, this is almost unbearable. Not only must a larger percentage of the disposable income be set aside for housing (at the cost of less consumption of everything else), but families are left wondering

if interest rates will rise again. This uncertainty will force families to sell their properties, often in a depressed market with falling prices. Such a development hardly be associated with a boom situation. Generally, an economic boom implies higher per capita income, employment, higher living standards, a higher standard of living, or a higher standard of living. On the one hand, the country faces a

peculiar dilemma. On the one hand, the country faces a different financial situation. Not only can we not rely on foreign aid to provide bridge financing, but we are also forced to pay back their previous loans. This means that from the proceeds of the country's exports and have to pay our debts first. For example, our 1989 debt repayment requirement in terms of the debt moratorium, is R875-million. Outside the debt moratorium arrangements a further R2 812 million is required for 1989.

Our foreign asset holdings, meanwhile, stand at R4 975 million (Jan 1989). At the same time, the most important export, gold and the price of gold is given a low price of international financial sanctions. In short, the presence of export and/or enlarge the domestic market to reduce the impact of further exacerbated by the basic quest of the Reserve Bank) authorities for a high level of foreign asset holdings. Why there is no obvious reason for the interest rates should go

up now. (Abedian is a senior lecturer at the University of Cape Town's School of Economics)

spectrum, but the biggest blow to the consumer came late last year when the price of petrol rose by more than 10 cents per litre. And more shocks are in store for the hard-pressed consumer in the next few months. A wave of thousands of homeowners throughout the country have in the past year faced a staggering interest rate increase of more than 40 percent. Many families, already feeling from the escalating cost of living, are now paying hundreds of pounds more on their bond repayments.

These two basic factors are further exacerbated by the degenerative asset for a high level of foreign asset holdings. Why there is no obvious reason for the interest rates should go up now. (Abedian is a senior lecturer at the University of Cape Town's School of Economics)

HOUSE OF ASSEMBLY

QUESTIONS

Indicates translated version.

For written reply:

General Affairs:

SADF: complaints regarding actions of troops in townships

65. Mr R R HULLEY asked the Minister of Defence:

- (1) Whether any official complaints were lodged with the South African Defence Force in 1988 regarding the actions of troops in any Black townships; if so, (a) how many (b) on what dates and (c) what was the nature of the complaints in each case;

(2) whether these complaints have been investigated; if not, why not; if so, what were the findings in each case;

(3) whether any action has been taken as a result; if not, why not; if so, what action? B166E

The MINISTER OF DEFENCE:

(1) Yes

(a) 7

(b) (c) 7

22 May 88 Assault The member was handed over to the Lebowa Police. SA Defence Force is not responsible.

02 Jun 88 Assault The member was found not guilty and the SA Defence Force not responsible.

11 Jun 88 Rape Civilian trial. Fine of 50 was imposed.

15 Jun 88 Pointing of a firearm Case has not been finalized.

16 Oct 88 Harassment The Officer Commanding of the Command resolved the dis-

HOUSE OF ASSEMBLY

THE MINISTER OF EDUCATION AND CULTURE:

TURE:

The total capital expenditure was R4 912 128, comprising of an amount of R3 462 128 in respect of the University of Pretoria for the extension of the Faculty of Veterinary Science and an amount of R1 450 000 128 in respect of the University of Pretoria for the extension of the Faculty of Veterinary Science and an amount of R1 450 000 in respect of the University of Cape Town for the Medical School at the Groote Schuur Hospital. The subsidies payable in respect of interest on and capital redemption of State and Private loans have not been taken into account.

MB ChB degree: cost to State for one student

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

(a) What is the present estimated cost to the State of the training per student for the MB ChB degree at each of the medical schools falling under the control of his Department and (b) in respect of what date is this information furnished? B192E

The MINISTER OF EDUCATION AND CULTURE:

(a) Estimated cost per student per annum University

R	Cape Town
7 945	Natal
8 212	Orange Free State
8 479	Pretoria
7 917	Stellenbosch
8 354	Witwatersrand.
8 765	
(b) 1989.	

School hostels: vacant places for pupils

9. Mr R M BURROWS asked the Minister of Education and Culture:

What, in respect of each province, was the total number of vacant places in school hostels for (a) male and (b) female pupils at schools falling under the control of his Department as at 31 December 1988? B195E

The MINISTER OF EDUCATION AND CULTURE:

	(a)	(b)
Cape	4 725	4 452
Natal	809	668
Orange Free State	1 553	1 753
Tansvaal	6 196	5 182

Schools: attendance of pupils in each home language category

13. Mr D J N MALCOMIESS asked the Minister of Education and Culture:

What number of pupils in each specified home language category attended (a) primary and (b) secondary schools in South Africa as at 7 March 1989? B199E

The MINISTER OF EDUCATION AND CULTURE:

(a) and (b) The statistics for 7 March 1989 are not available at this stage.

Teacher-training colleges/universities: students qualified as teachers

23. Mr R M BURROWS asked the Minister of Education and Culture:

How many White students graduated as fully qualified teachers from (a) teacher-training colleges and (b) universities at the end of 1988? B283E

The MINISTER OF EDUCATION AND CULTURE:

(a) and (b) The statistics are not yet available.

HOUSE OF ASSEMBLY

Homing in 3/3/89

The market never seemed as convinced about the benefits of the creation of Homemakers as management seemed to be. Even the acquisition of Joshua Doore (JD) failed to convince that this was a great new group.

Part of the reason must lie in the fact that Homemakers came into being just after the FSI/Waicor takeover and was continually overshadowed by discussion of the ramifications of that deal. Another reason could be the old complaint about W&A — that it was in highly cyclical businesses; a number of which were in Homemakers. The 7.9% dividend yield indicates the market rates this group as a furniture rather than a general retailer.

Yet the results have been good. Turnover was up 69% last year, with a major improvement in margins pushing the operating profit increase to 93%. The sharp increase in interest and tax bills, and especially the high minority interest (always a big item in an FSI group company), reduced the EPS rise to 25%. The interest bill should be curbed by the reduction in gearing from 0,32 to 0,14.

CE Hilton Nowitz says the intention is to make the company a holding company with investments in consumer products distribution — a wide field. Acquisitions will be confined to fields where present management has expertise. Contribution of furniture interests to attributable profits fell from 56% to 52% and is expected to decline further despite figures for latest acquisition JD, which this week announced a 38% rise in attributable income, included for only six months.

In December, Homemakers reduced its holding in the furniture group from 60% to 49%, mainly, Nowitz says, to reassure JD management there would be no interference from Homemakers in running the company.

Nowitz suggests the home-improvement division, so far including only Sembel-It and Multi Pine, will be a high-growth area, but emphasises that JD chairman David Sussman plans to use World outlets as sales centres for direct selling. This year's figures will benefit from amalgamating head offices of the three furniture chains and increasing cash and high deposit sales, rather than traditional world markets.

COMING HOME

Year to December	1987	1988
Turnover (Rm)	300,1	507,2
Pre-tax profit (Rm)	32,8	61,3
Attributable earnings (Rm)	24,9	34,5
Earnings (c)	14,9	18,6
Dividends (c)	3,5	6,0

Other direct selling, which made the original Homemakers business, is largely immune to cycles, according to Nowitz, who forecasts strong organic growth in this area. He is satisfied the textile section will not be affected by the rise in prices of imports, as only 30% is imported.

It may take time for the market to adjust to a different picture of the group, and to see Homemakers as a separate entity and not simply part of FSI.

Pat Kenney

Homing in

3/3/89

The market never seemed as convinced about the benefits of the creation of Homemakers as management seemed to be. Even the acquisition of Joshua Doore (JD) failed to convince that this was a great new group.

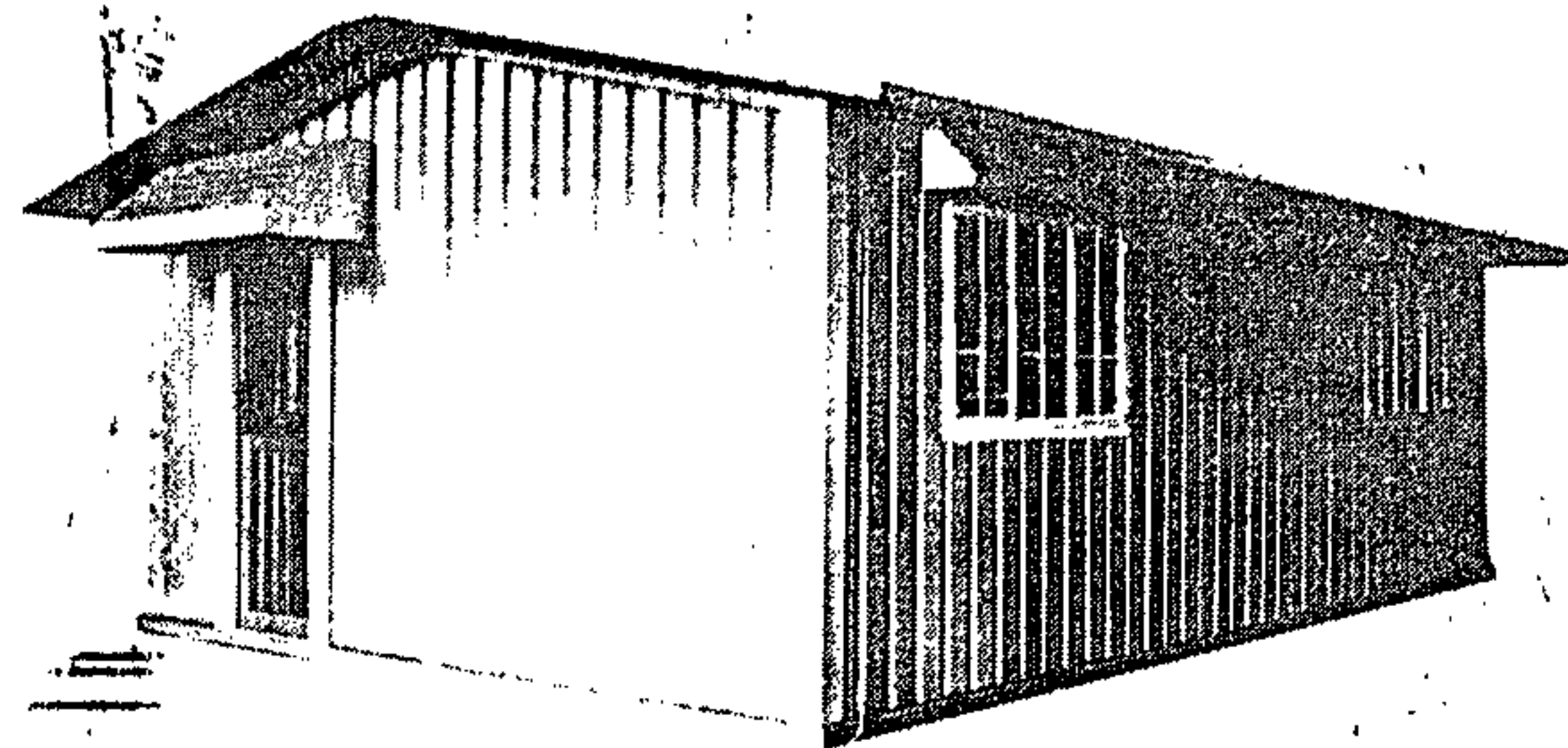
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SQUATTER UPGRADE: The new modular panel steel frame house designed for the lower end of the housing market.

New steel house planned to ease squatter problem

Business Staff

A MODULAR panel steel frame house has been designed by a Germiston factory as an answer to the country's growing housing problem.

Mr John Salkow, marketing director of Germiston-based Abkin's Dipac Housing Systems, a new company formed to manufacture the low cost unit, said the house, which is easily upgradable, had been designed to meet the needs of the bottom end of the market, in particular those people who were presently squatting.

The smallest of the core houses measuring 21 sq m would sell for about R6 500. Construction of the house, which can be done in six hours, would add about another R700 if concrete floors were laid.

He said the model consisted basically of 10 panels which made it easy to extend the house at a later stage. In addition the design allowed for owners to partition off rooms to individual requirements.

A two bedroom house with equipped bathroom measuring 37,5 sq m would cost about R12 000, he said.

Mr Salkow said they had been requested by Owen Willins Trust to exhibit the house at the Goodwood Show and were negotiating with the South African Housing Trust to display the dwelling in Khayelitsha.

In addition five show houses were being built in Alexander township, at Vosloorus in the Transvaal at the request of the South African Housing Trust, and at Kwaguaka near Witbank at the request of Martin John and Associates for an Anglo subsidiary.

He said although the house had been designed to help ease the squatter problem in urban areas, great in-

terest had been expressed from the white community for the construction of these homes as either granny flats or holiday homes on the Vaal River.

He said once construction started the company would be able to manufacture 50 units a day. Factory sites were being explored on outlying areas of Alexandra township and in Germiston.

Production facility

A number of MPs had been invited to view the house at Goodwood. If demand in the Western Cape warranted it, a production facility would be built here. The spin-off to the black community would be considerable if the project took off, he said.

"As far as possible we will use small independent black businessmen for the production of certain components such as window frames.

"Because it is so easily constructed, once the project gets off the ground it will create numerous job opportunities for unskilled labour."

Mr Joe Taylor, managing director of South African Housing Trust, said today he welcomed the initiative.

"Too often the private sector looks at existing products to see how they can be downgraded for the bottom end of the market. This project is the right approach in that it is looking at a unique product which is upgradeable."

He said Abkin's was being encouraged to put a number of models on show to gauge the response from the market.

"Once we know that the market finds the product acceptable we will assess it for structural requirements. If approved by the Trust we would consider providing the mortgage financing," he said.

Press barred at meeting

CHT 7/3/89 MEG BRITS 123
HOUSING Minister Mr David Curry last night barred the press from a meeting with the Blue Downs ratepayers' committee, at which the discussion was to centre on possible foreclosures on some residents.

One ratepayers' representative said it had been agreed with Mr Curry that the meeting was not to be attended by Blue Downs management committee members. But the venue, the Melton Rose Community Hall, is controlled by the management committee and its members insisted they be allowed to stay.

Mr Curry said he was not prepared to continue the meeting unless the press were barred. He then withdrew with the members of the management committee.

Home-buyers: Outlook bleak

496 70/15 7/3/89

By MEG BRITS
A Cape Times investigation

HOUSING contractors have never had it so tough — but then neither have potential home-owners.

Effectively, though, contractors are being asked to deal with the housing "Catch 22". It is practically impossible to deliver the type of house required by the bond-granting financial institutions for the price which potential buyers can afford — or are prepared to pay.

The government has defined affordability in terms of its first-time buyer's bond subsidy package — R65 000 for land, all fees and the house.

However, as contractors are finding, affordability is actually an individual measure of how much of a family's monthly budget is available for bond repayments.

Rising inflation

Bond rates rose this week to 19%. This is the eighth rise since November 1987, when the bond rate was 13%. The monthly payment on a R50 000 25-year bond has risen from R564 to R799 — or by 42% in a year.

And, particularly among South Africans faced with rising inflation and sudden price increases on basics such as food and transport, family budgets just don't stretch that much.

Potential buyers observing rising bond rates decide against committing themselves and the market goes flat. This leaves contractors with another problem — completed, unsold houses and undeveloped land, on which they also have to pay interest, termed holding costs. In the nature of the industry, this is passed on to the next set of home-buyers — and inflation gets another push.

The government interest rate subsidy is available to buyers who spend no more than R65 000 on a stand, house and all fees. A maximum of R25 000 is to be spent on the land, with a further R10 000 available at the relevant housing minister's discretion for buyers in areas where stands are not available at less than R20 000.

The National Association of Homebuilders (NAHB) calculates that, after fees and land costs, just under R40 000 is left for bricks and mortar.

In 1987, it was possible to build a 100m² house, of materials and interior standards acceptable to the financial institutions, for R40 000. By the end of this year, the same house will cost R68 100 to build.

The table shows why, identifying how the costs of various housing components are rising by comparing the Bifsa (Building Industries Federation of SA) figures for labour (14%) and materials (18%), cost increases in 1988 and estimates for 1989 are 13% and 16% respectively.

Looked at another way, a family wishing to keep building costs under R40 000 today would only get 59m² of this conventional type of house.

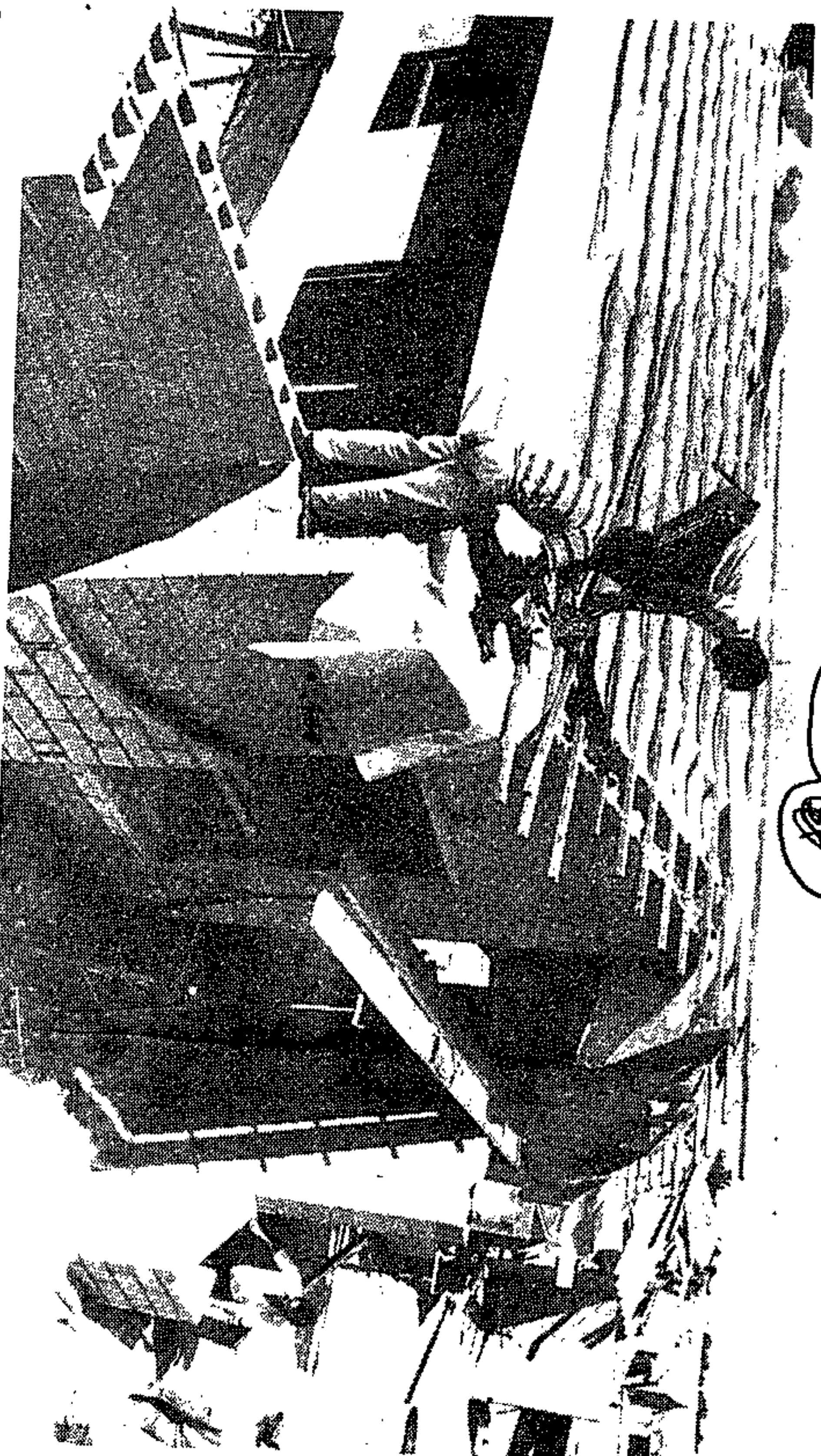
Crusade

In its 1988 annual report, Bifsa was particularly critical of materials cost increases. It said: "The continuing spectre of rising building costs seems to persist. With every moderate upturn in activity, manufacturers of material seem to increase prices with vigour."

Widespread appeals are being made to Bifsa and in turn to the appropriate authorities to strongly crusade against cartels, price fixing and all the ills which should have been eradicated by the Competition Board.

The stranglehold placed on any capital-intensive competitive industry by international sanctions inhibits any attempt to counteract the exclusivity of suppliers of primary building materials and as a result places those manufacturers in unhealthy power frames.

It would seem that the only avenue left to moderate the rapidly increasing costs of building is to earnestly appeal to the better nature of the manufacturing industry to place the demands of national patriotism before the excesses of record balance



GETTING ALL THE PIECES IN PLACE... Both housing contractors and potential buyers have to face an increasing list of obstacles in the way of achieving the South African dream.

sheets and unrealistic gross earnings."

Bifsa also said that the building industry was no longer able to absorb any proportion whatsoever of rising costs to provide a buffer for the general public. In fact, margins had been so eroded by the earlier recession that the industry was intensely sensitive to any cost push factors, be they plant, material or labour.

In 1987, bricks represented around 11% of the cost of a 100m² house, using 27 000 to 30 000 stock bricks. Brickwork (including labour) with stock bricks accounted for 17,5% of the cost.

Bills of quantity for January show that these figures have increased to 11,82% and 18,5% respectively. Associated materials and labour, such as the installation of door and window frames, bring the total to 22%, as shown in the table.

Dense cocktail

Mr Keith Nurcombe, national marketing manager for brick giant Tomcoro, said that in 1987 the price in the Western Cape for plaster bricks was R129/1 000. In January the price was 31% higher, or R169/1 000, compared with R160 in the OFS, R170 in the Transvaal and R172 in Natal.

It is clear that the cost of materials is only one factor in a dense cocktail which is becoming increasingly hard for both contractors and buyers to swallow.

The availability of finance rather than its cost is another.

The government has for years made it clear that it regards housing as a private sector function. Residential investment by public authorities has recorded a negative growth rate for nine years and is not expected to rise this year. Public corporations have also cut back on residential spending in this period and real investment is expected to decline another 5% this year.

And, while the banks and building societies have substantially increased their lending books since the previous bond rate peak in 1984, they remain conservative spenders on behalf of their investing clients and shareholders. This year, private sector growth in housing investment is expected to decline 50%.

Mr Johan Grotsius, executive director of the NAHB, says financial institutions are also increasingly demanding that developers find their own sources of finance, for example to subsidise buyers in deposit-free package-deal purchases.

There are only two courses open to developing and contracting companies — to move into the luxury market, where building costs are as high as R760/m² but the rand returns are bigger per unit, or

WHERE THE MONEY GOES

Stage	% of cost	1987	1988 Projected
Excav and found	5	2 000	2 640
Slab	7	2 800	3 696
Brickwork with windows	10	4 000	5 280
Brickwork complete	12	4 800	6 310
Floor trusses fitted	8	3 200	4 224
Floor complete (tiles)	6	2 400	3 128
Electrical, pipes, geyser	3	1 200	1 584
Plastering	9	3 600	4 752
Ceilings	4	1 600	2 112
Carpeting with BIC's	2	800	1 056
Sanitaryware, drainage, plumbing	11	2 800	3 696
Wall tiles	7	2 800	3 696
Paint and finishes	2	800	1 056
Electrical work complete	5	2 000	2 640
Guttering	5	2 000	2 640
Floor covering	1	400	528
Hand over (incl cleaning)	5	2 000	2 640
TOTAL	100%	40 000	52 800

to risk the high-volume, low unit cost black market.

They have yet to stomach some hard lessons. If the experiences of the South African Housing Trust (SAHT) in the lowest end of the market are anything to go by, the trust was started in January 1987 with a R400 million state loan. It has had to raise further funds in the capital market and the total value of the projects approved by the SAHT from January 1987 to January this year is R900m. These are expected to generate 49 000 houses and 33 000 serviced stands over the next three years. To date, the trust has provided 6 200 houses and 14 000 serviced stands.

In August last year it made its first Cape grant of R11m, to enable Habtech to sell houses for between R8 000 and R20 000 in Crossroads and Khayelitsha.

SAHT contractors must offer housing packages for under R20 000, including fees and insurance. Buyers can borrow from the trust's own finance company at 11% interest.

The actual cost depends on land costs in the area and the type of package in demand, in the specific community, be it semi-serviced stands or the trust's "top-end" house, costing around R18 000.

Obviously, land cost is a crucial factor. In some areas, the trust has acquired stands for R250 each and serviced them, and in others, serviced stands have cost up to R7 500.

The average size of an SAHT house is 40m² and the

average building cost for contractors is R250/m². All are built of concrete building blocks and the simplest has one utility room with kitchen facilities and a toilet. The "top-end" house has a separate bedroom and a basic bathroom.

'Shacks and shanties'

Mr Joe Taylor, managing director of the trust, says the demand bulge in the market for houses which cost R13 000 to R18 000 — "and the real challenge for housing contractors to offer products in this range".

Many already understand that, in this sector, they are not dealing with a middle-market strapped for disposable income, but with potential buyers who have difficulty maintaining any income. Many do not.

Mr Taylor said: "I think contractors still tend to look at the housing market the wrong way round. There is much talk about downgrading expectations and lessening of building standards, but when you are offering houses in this market, as we are, it is a matter of upgrading from shacks and shanties."

It is likely that, as the middle-market contracts even further, middle-market developers who are moving down market and those offering products in the low-cost sector will become one and the same. It is also likely that, at that stage, financial institutions will have to change their thinking on "alternative" housing delivery methods such as self-help schemes.

Meanwhile, Mr Taylor said, the trust had no choice but to form its own financing company, because large financiers had been unprepared to grant bonds, for example, on serviced stands which can be developed as the financial position of the owner improves.

"This is why we have suggested that a first-time buyers' subsidy should be on land purchase and not on bricks and mortar. That way it would be much easier for people to acquire a real stake in the property market — and upgrade as and when they can afford it."

Gap in the market

At this point, developers — and would-be buyers — have perhaps the most difficult hurdle to overcome: The availability of land rather than its cost.

Mr Brian Longley, head of the Urban Foundation's housing utility company FHA Homes, says the company can and is providing housing packages for between R26 000 and R28 000 in the Transvaal, filling in a gap in the market. Buyers of its 44m² houses have access to building society finance and the first-time buyers' subsidy. They require a monthly income of around R1 200.

Vicious circle

In all areas, the demand the foundation really wishes to address is for site-and-service schemes on upgradable stands. But, Mr Longley said, there was enormous resistance on the part of local authorities to allowing progressive installation of secondary services such as electricity as affordability levels rise.

And there lies the final segment of the vicious circle which has caused the country's critical housing shortage. Forced by economic deprivation to urbanise, previously rural people are stripped of natural housing resources, denied access to cheap land or cheaper delivery methods and then denied the finance to conform to rigid local authority demands.

LIZ ROUSE

RETPROP Investments, the variable loan stock company, is on target with its interim results.

The company achieved a taxed profit of R166 000 in the six months to December compared with R149 000 in the seven months to June 1988. It forecast a taxed income of R264 000 in the year to June 1989 and a debenture interest of 58,09c.

Retprop declared a debenture interest payment of 28,5c, realising an annualised yield on issue price of 11,4%. Forecast at the time of listing at 11,5% for the full year, this projection was adjusted upwards during 1988 to 11,62%.

Retprop on target with interim results

A dividend of 1,5c has been declared, equivalent to an annualised yield of 8,57% on the share issue price.

Retprop MD Howard Schachat says the results posted are satisfactory, notwithstanding the sale in June 1988 of four smaller properties yielding more than Retprop's average portfolio yield.

However, the quality of the portfolio has been improved through the rationalisation which also provides a cash injection into the company.

In January, this year the company acquired a 50% interest in Durban's Newspaper House for R8m. R3m cash

was paid with the balance payable in July 1990.

Schachat says the initial return on this property and the growth potential that should emanate for the refurbishment programme are attractive.

Lack of active development in Durban in recent years has resulted in a shortage of new office accommodation in the city.

Existing buildings are consequently enjoying strong rental growth.

The refurbishment of Newspaper House will put it in a good position to take its share of that growth at a cost

substantially less than that of rebuilding. The acquisition of a share of Newspaper House consolidates Retprop's investment in the Durban property market.

In June 1988 it bought the 13-storey Salmon Grove Chambers for R12,5m.

Retprop's portfolio focuses on retail and office investments and the latest purchase brings its asset base close to R200m.

Schachat said the company was satisfied with the vacancy factor reflected in its portfolio.

Star 9/3/89

123

New home buyers need relief from a growing burden

Parliamentary Staff

Relaxing building regulations and providing for site-and-service home-building schemes ought to be considered to reduce the "intolerable financial burden" of home-buying for young South Africans, Mr Jasper Walsh (Progressive Federal Party, Pinelands) told Parliament.

Speaking during debate on a private member's motion on white housing, Mr Walsh said that, on an R80 000 bond repayable over 20 years, the monthly repayments had increased by R387, or 43 percent, to R1 297 since January last year.

BURDEN

"This represents an intolerable financial burden to many people. What was once affordable has become a financial millstone around their necks."

"What is the answer?" he asked.

Among suggestions he offered were:

- A move towards

smaller properties and less expensive homes,

- An increase in the rate at which serviced sites are brought on to the market,

- Provision of site-and-service schemes and basic training in building skills, coupled with co-operative buying of materials at the lower end of the market,

- Removal of legislation which impeded provision of land and distorted the market process,

- Relaxation of building regulations which tended to inhibit construction of affordable housing,

- A re-evaluation of the subsidy scheme, possibly with a sliding scale means test, and

- A re-evaluation of employer subsidies "which often encourage employees to occupy a standard of accommodation above their normal level".

People "felt compelled to trade up their housing in order to fully utilise their remuneration package", he said.

Govt's first-time housing subsidy is to be extended

CAPE TOWN — The subsidy paid to first-time homebuyers would be extended to include buyers of existing houses, Local Government and Housing Minister Ami Venter told Parliament yesterday.

Venter also said he was considering granting bridging capital in the form of state loans to private developers for the erection of service centres for the aged.

He said the subsidy had initially been available to first-time buyers of only new properties. After requests from various sources he had decided to extend the scheme to include existing homes.

The same limit of R65 000, all inclusive, would apply to both new and existing homes.

The new system was expected to come into operation on July 1 this year.

Venter said certain administrative procedures and priorities still had to be refined, especially the financial implications of the decision.

The matter was receiving urgent attention.

Referring to the centres for the aged, Venter said the proposal had been contained in the report of a committee investigating housing for the elderly.

Its proposal on loans had been made in the light of the great need for service centres and their high costs.

Other recommendations included a means test to determine the areas of responsibility of government and the private sector. — Sapa.

Burden of home-buying intolerable — Walsh

117 were executed last year

Parliamentary Staff
RELAXING building regulations and providing for site and service home-building schemes were among suggestions that ought to be considered to reduce the "intolerable financial burden" of home-buying for young South Africans, Mr Jasper Walsh (PFP Pinelands) told Parliament.

Speaking during debate on a private member's motion on white housing, Mr Walsh said that on an R80 000 bond repayable over 20 years the monthly

repayments had increased by R367 (or 43 percent) to R1 297 since January last year.

"This represents an intolerable financial burden to many people. What was affordable at the time the decision to purchase was taken has become a financial millstone around their necks.

"What is the answer?" he asked.

Among suggestions he offered were:

- A move towards smaller

properties and less expensive homes;

- An increase in the rate at which serviced sites are brought on to the market;

- Provision of site-and-service schemes and basic training in building skills, coupled with co-operative buying of materials at the lower end of the market;

- Removal of legislation which impeded provision of land and distorted the market process;

Investigate building costs — NP

Parliamentary Staff
SPIRALLING building material costs — some of which had risen by as much as 200 percent since 1982 — ought to be urgently investigated in the interests of the building industry and the provision of affordable housing, said Mr H J Kriel (NP, Parow).

"There is an urgent need for an investigation. The time has come for Parliament to give attention to how much it costs to build a house," he said dur-

ing the debate on a private member's motion on white housing.

Copper, stone, timber, cement and titanium, all important building industry materials, had risen sharply in price in recent years.

200 PERCENT UP

The copper price had risen by 50 percent in the past six months and stone had gone up by 200 percent since 1982.

Titanium had increased from

R1 900 to R5 200 a ton in only a few years and the cement price had risen 88 percent in four years.

In the case of timber, he said, "the man who grows the wood gets R16 for a cubic metre of timber".

"But if you buy the same quantity in a store it will cost you R900."

Mr Kriel added: "There is something wrong in the industry and it must be investigated."

A TOTAL of 117 people were executed in South Africa last year, the Minister of Justice, Mr Kobie Coetsee, told the Assembly.

They were three white men, 38 coloured men and 76 black men. No women were executed.

Of the total, 103 were hanged for murder, seven for murder and rape, three for rape, two for murder and robbery with aggravating circumstances and two for murder and attempted robbery with aggravating circumstances.

47 COMMUTED

Death sentences on 37 black men, one black woman, five white men, four coloured men and two Indian men were commuted during the year.

Thirty-four blacks and 12 coloured people were hanged for crimes of violence against whites, while two whites were hanged for crimes of violence against blacks but none for crimes against coloured people and Indians.

One white person was executed for murdering another white. — Sapa.

First-time buyers of flats will now get subsidy

Business Editor

ARBUS 9/3/89

BUYERS of flats will now be able to get the government's first-time buyers subsidy as a result of changes announced in Parliament.

Until now, the subsidy was paid only to buyers of brand-new houses, which became smaller and smaller as builders battled to keep the prices within R65 000 — or R75 000, if they obtained an extra subsidy for special foundations.

The subsidy will now apply to existing houses as well up to a R65 000 limit. But this figure must include transfer costs, which effectively lowers the price to about R63 000 to qualify.

BELOW R60 000

Houses are still on the market at this figure but mainly in outlying areas.

Flats, however, can still be bought for below R60 000 in popular suburbs such as the Gardens, Sea Point, Rondebosch, Wynberg and other areas.

The subsidy cuts bond repayments by about R190 a month and over seven years is worth R11 790, according to estate agents.

● Housing subsidy extended — page 3.

THE TRADE union movement is coming to grips with the issue of housing, which could become one of the most important items on the collective bargaining agenda.

A discussion paper recently circulated within the National Union of Metalworkers of SA (Numsa) is one of the first attempts by a union to set its own agenda where government and the private sector has so far taken the initiative. The paper argues the consequences, and in some cases the intention, of state and private sector black housing policies would be the creation of a new privately-housed elite comprising the better-paid sector of the workforce.

The majority, those on the lower end of the pay scales and the unemployed, unable to afford even a sub-economic R25 000 house, would remain victims of SA's severe housing shortage.

Therefore, the paper says, when Numsa — at its May conference — formulates a comprehensive policy, the main focus should be on finding solutions to the housing problems faced by this group and to minimise potential for social stratification.

THUS, it says, a major housing campaign "will have to include calls for the construction (adap-

Homing in on housing

2/Day 10/3/87

tation in the case of baskets) of homes and flats for rental by blacks, as well as for the scrapping of building restrictions on individually-owned plots, so facilitating owner-built unconventional housing."

Demands can be made to employers and employer organisations, but they would be interested only insofar as it affects their employees. This would not aid the unemployed.

Given this, and that land allocation is in the hands of local authorities, a serious housing campaign would have to address the question of the possibility of negotiations with black local authorities or RSCs.

The paper proposes the establishment of democratically-controlled housing advice offices in each township to handle individual home ownership problems and to develop local housing campaigns. The strategy would also require the resuscitation of community organisations to participate in housing matters.

Finally, the paper argues, unions need to become more pro-active regarding company

housing schemes, which presently offer only private conventional home ownership in urban areas. Demands must be made for serviced sites for owner-built homes, and rentable houses and flats. Equal subsidisation must be provided to employees who opt, for example, for rural home development, and company subsidies should not discriminate against older, female, or rural-based workers, it concludes.

CAN NEW talks between trade unions and the SA Co-ordinating Committee on Labour Affairs (Saccola) employer group on labour legislation succeed? The unions, and at least one component of Saccola, are sceptical that Saccola structures lend themselves to national resolution of the debate.

The question arises after the decision by last weekend's worker summit in Johannesburg to draft a new version of the Labour Relations Act

for negotiation with individual employers and their organisations.

The unions will, simultaneously, seek amendments to recognition agreements creating rules and structures by-passing the disputed sections of the Act and the Industrial Court.

Cosatu vice-president Chris Dlamini is optimistic that agreements can be reached with "liberal" employers, but foresees a widespread necessity in many cases to follow the summit's recommendation to declare disputes.

A national agreement with employers is unlikely, he believes, because of Saccola's incoherence, which renders members unable to reach consensus among themselves on complex and controversial issues. Saccola chairman Bobby Godsell said this week his organisation would approach new talks in a constructive spirit and, if the unions did the same, there were good possibilities for progress.

However Andre Lamprecht, who represented Assocom in last year's Saccola/union talks, appears to agree with Dlamini's assessment of Saccola. He told a management conference last month that Saccola — an organisation with limited, if any, political cohesion, a lack of flexibility and where members are also business competitors — was unsuited to the role of collective bargaining.

REVIEW

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REVIEW

Making markets

At a meeting between the Reserve Bank and the four discount houses last Friday, it was decided to form a committee with representatives of the Bank and the industry to investigate the future of the houses. Another meeting is scheduled for mid-April.

Two likely options are:

- Reregistration as banks; and
- Becoming security dealers outside the ambit of the Banks Act.

Both options would allow the houses to

10/3/89 FM.

become official market-makers. This would involve a change in the present informal market-making system where paper is issued in the primary market and secondary trading is open to anyone able to quote prices.

In open market operations, including placing government debt, the Bank could establish a special dealing relationship with banking institutions and security dealers, including existing discount houses.

These moves follow the recent decision by Governor Gerhard de Kock to eliminate the preferential margin on discount houses' refinancing rates (FM March 3), formalising the end of their role as the main channel of liquidity in the monetary system. ■

Black housing: challenge or tragedy?

(123) (235) B/Dan 10/31/87 (239)
AN EXPECTED 75% increase in the black urban population by the year 2000 would present the greatest challenge, or the greatest potential tragedy, for housing, SA Perm MD Bob Tucker said yesterday.

He told the Wits Business School there would be a shortfall of three-million black housing units by 2000 if housing trends continued.

Based on estimated demand for housing finance and the capacity of financial institutions to satisfy that demand, Tucker said after 2000, building societies would need an additional R20bn and banks an additional R30bn.

To address this backlog in housing,

Tucker advised home-loan financiers to try to convince pension funds, which invested little in housing, of the benefit of fully paid homes to their clients.

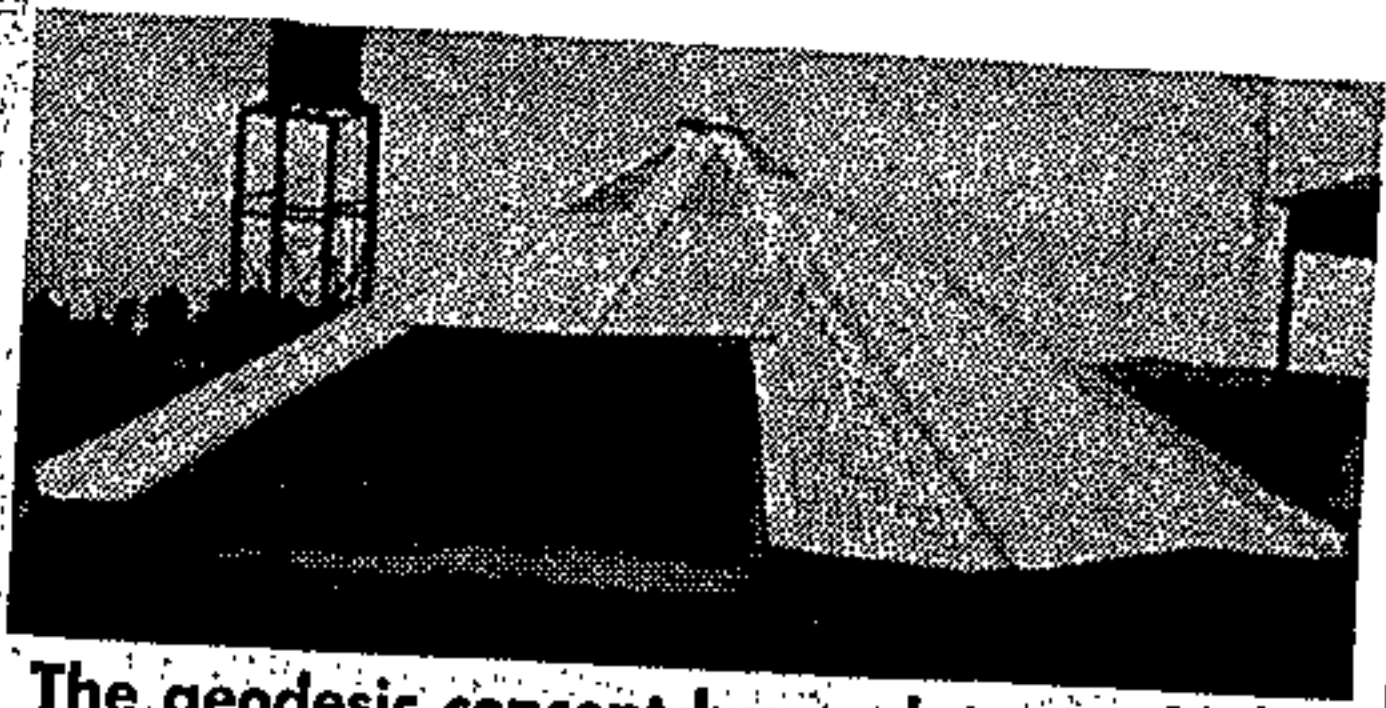
Secondly, he recommended a viable securitisation system to mobilise the savings resources of life offices, pension funds and major corporations.

Thirdly, investment instruments would have to be developed in retail and wholesale markets to bring about a better correlation between increased earnings and rates of return. This would enable homeowners to pay bigger bond and pension instalments.

Several factors had distorted normal market mechanisms for the delivery of home loan finance. Negative interest rates had resulted in low savings while, until recently, government had influenced a lower rate of interest for the smaller loans which were administratively more expensive.

This meant that while institutions were charging high rates for big bonds, home-buyers with smaller funding requirements were receiving little or no financial assistance.

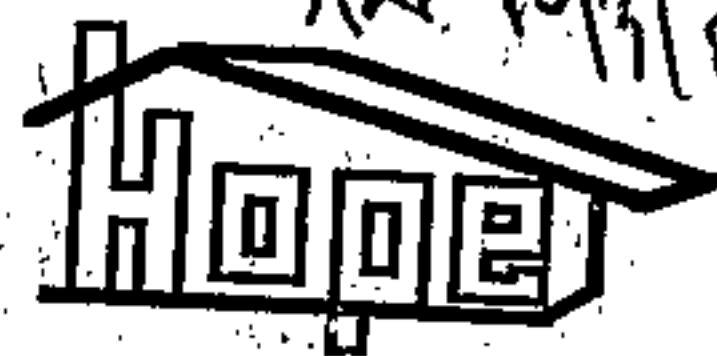
□ GERALD REILLY reports from Pretoria the the Central Statistical Service said the black population was growing at a rate of nearly 500 000 a year.



The geodesic concept home, here roofed in corrugated steel sheeting, developed by Mr John de Wet.

SA man develops 'new concept' house

By Norman Chandler



A South African-developed revolutionary design for low-cost housing may be one way of overcoming the crisis in the market — particularly in rural areas.

Based on the geodesic concept — a triangular system which has been mooted as a building method at various world fairs overseas — the structure is seen as ideal for housing, as well as for beach cottages, game park chalets, labourers' quarters at remote construction sites and as storage facilities.

Mr John de Wet of Johannesburg first saw the concept in the United States. There, smaller versions are mainly used for garden sheds and other similar structures.

The structure I have designed is 12 m in diameter, which allows 100 sq m under roof. It can be divided into five rooms.

"A skylight system which allows in 80 per cent of natural light, the extractor fan, insulation and the spaciousness of the building all contribute to standards acceptable for domestic usage," Mr de Wet said.

The building, which has been patented, costs less than R10 000 to erect. A number of earlier models of the concept have been built in Bophuthatswana while others have been sold to buyers in various parts of the country. Several leading South African companies and development trusts have shown an interest in the concept.

Confusion over new housing subsidy plan

Cape Times 11/3/89 123



Mr Jasper Walsh

Political Staff and Staff Reporter
CONFUSION is reigning over whether or not "coloured" people qualify for the government's newly-announced plan for first-time home-buyers of existing houses.

Yesterday, Mr Jasper Walsh of the Progressive Federal Party criticised the government for the mix-up and said the application of the subsidy was relevant to all races but was confused because of the apartheid system of government and artificial distinction of "own affairs".

The Minister of Local Government and Housing in the House of Assembly, Mr Amie Venter, announced this week that first-time home-buyers would no longer have to buy new homes to qualify for the government subsidy.

But Mr Venter is responsible only for white housing and the Administrative Secretary of the

House of Assembly Administration, Mr J E de Villiers, confirmed yesterday that his announcement was "only for the whites".

Yesterday scores of would-be "coloured" home-buyers requesting more information from housing directors in the House of Representatives Administration were told the scheme did not apply to them.

However, Mr David Curry, Minister of Local Government and Housing in the House of Representatives, told the Cape Times late yesterday that the announcement was an across-the-board one, and that it would also apply to so-called coloured people.

Earlier yesterday a housing official in the House of Representatives Administration told the Cape Times he had received a flood of inquiries from "coloured" people, all of whom

had been told the scheme did not apply to them.

He said the announcement applied to whites only.

But Mr Curry said this statement was "incorrect".

Mr De Villiers said every individual housing minister was responsible for deciding policy for his administration and Mr Venter's announcement was definitely in regard to whites only.

Mr Walsh said the PFP had made it abundantly clear that housing could never be an own affair and "we therefore take it for granted that such an announcement by the minister will apply to all races."

"Where there is a dramatic shortage of housing for people who are not white, it would be completely nonsensical to improve the lot of white first-time buyers without addressing this imbalance."

Confusion over govt's home-buyers' subsidy

B/Duy 13/3/89

Political Staff

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CAPE TOWN — Confusion is reigning over whether or not coloured people qualify for government's recently-announced subsidy for first-time buyers of existing houses.

Local Government and Housing Minister Ami Venter announced in Parliament last week first-time home-buyers who bought existing houses would now also qualify for the subsidy — which previously applied to new houses only.

But Venter is only responsible for white housing and the administrative secretary of the House of Assembly administration, J E de Villiers, confirmed Venter's announcement was "only for the whites".

Scores of would-be coloured home-buyers requesting more information from housing directors in the House of Representatives administration were told the scheme did not apply to them.

However, David Curry, Local Government and Housing Minister in the House of Representatives, said the announcement was an across-the-board one, and that it would also apply to coloured people.

Asked why officials were putting off potential applicants, Curry said: "Something appears to be wrong here." He said he would try to "iron out the problem".

The PFP's Jasper Walsh has slammed government for the mix-up, saying the application of the subsidy was relevant to all races but was confused because of apartheid and the artificial distinction of "own affairs".

CAPE TOWN POLICY

Business Report

Employers' housing subsidies under attack

By MEG BRITS

HOUSING subsidies supplied by employers — especially to public servants — come under attack in the latest Rode Report on the SA property market.

This follows government moves late last week to broaden the availability of the first time buyers' housing subsidy.

Economist Erwin Rode, publisher of the quarterly independent report, said employer subsidies had the effect of artificially lifting housing prices and misallocating capital.

He said about 70% of all building society mortgage bonds were subsidised and that the major employer groups offering this type of benefit were the State, semi-State organisations and the large financial institutions themselves.

The report distinguishes between Type A subsidies — State and private schemes

designed to help the very poor and starter families — and Type B subsidies: those which form part of a salary package "aimed at helping the employee acquire more luxurious accommodation that could otherwise be afforded".

Rode suggested that the State commit itself to eliminate all but first time buyer subsidies by 1992 — including those to public servants.

However, he said, State employees should get the assurance that the benefit would be quantified in 1992 and added to the gross salaries of those actually receiving the subsidy at the time. This would help to lower the State's salary bills.

New appointees, he said, should receive the monetary value.

Government could also devise a separate assistance scheme for its own starter-employees only, to be phased out over seven years, as is the present first-time buyers subsidy.

The Minister of Local Government and Housing, Amie Venter, announced in the House of Assembly last week that this interest rate subsidy would now apply to sectional title or shareblock flats and existing homes and not just new houses as before.

Rode said that, if the government were prepared to make this commitment, it could exercise pressure on the private sector to do away with its employer subsidies.

He suggested that employees be taxed on the difference between the subsidies interest they paid and what they would pay at the sum highest individual bond rate in that financial year.

These moves would have the effect, he said, of depressing house and stand prices, lowering housing expectations and freeing bank and building society capital for funding low cost housing.

Rabie heads for low-cost housing field

14/1/87 EDWARD WEST 123

RABIE Investment Holdings, parent of Rabie Property, will enter the low-cost housing market for people with a combined family income of up to R600 a month after its acquisition of Zozo Holdings last week.

Rabie chairman Jan Rabie said yesterday the company was developing 420 houses a month in the R30 000 housing bracket for blacks, coloureds and Indians in the Transvaal, Natal and western Cape.

The new thrust into low-cost housing would be facilitated by products developed by Zozo subsidiary Unionmod.

Unionmod's current activities — the construction of modular schools under government tender — would be toned down to accommodate this "substantial" new development, Rabie said.

Rabie Investment Holding would be approaching the SA Housing Trust soon for finance, he said.

Sapa says the acquisition allows Zozo to expand its portable accommodation business from the Transvaal to the rest of the country.

Zozo is now able to build homes from R7 000 upwards.

1 100 ask to move to white group areas

Bibby 14/3/89

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CAPE TOWN — More than 1 100 coloured, Indian and black people applied last year for permission to occupy property in white group areas, and 239 whites applied to occupy property in black group areas, Constitutional Affairs Minister Chris Heunis said yesterday.

Heunis was replying to a question from Tian van der Merwe (PFP, Green Point), on the basis of information furnished to him by the four provincial administrations.

He said 568 coloured, Indian and black people had applied for permission to occupy property in white areas in the Cape, 550 in Natal, 19 in the OFS and 28 in the Transvaal.

In the Cape, 269 white, Indian and black people had applied to occupy property in coloured areas, 40 in Natal and 52 in the Transvaal, but none in the Free State.

In the Cape, three whites and nine coloureds had applied to live in Indian areas, while 46 whites, 24

Political Staff

coloureds and 10 blacks had done so in Natal, and 145 whites and 10 coloureds had applied to live in Indian areas in the Transvaal.

There had only been applications by other races to live in black areas in the Transvaal. Heunis said 239 whites, 30 coloureds and six Indians had applied to live in black areas in the province.

In the Transvaal, 27 of the 28 applications by coloured and Indian people to live in white areas were received from institutions such as churches, private hospitals, creches and organisations to allow persons of other race groups to occupy property in the white group area.

Heunis also said no applications had been received in 1988 in any of the provinces for exemptions from the provisions of the Group Areas Act in respect of residential premises.

HOUSE OF DELEGATES

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

New rental formula: complaints regarding rent increase

1. Mr K MOODLEY asked the Minister of Housing:

Whether any complaints have been received in regard to the increase of rentals as a result of the application of the new rental formula; if so, what steps have been taken in this regard?

The ACTING MINISTER OF HOUSING: Mr Chairman, the answer is yes. The Committee of Ministers of Housing has appointed a sub-committee under the chairmanship of a senior official of the Department of Public Works and Land Affairs to investigate the matter and submit recommendations to the Committee of Housing Ministers.

This administration is represented on this sub-committee. The sub-committee has already looked at the matter in depth and found that the new rental formula was in no way responsible for the increase in rentals. The actual reason was found to be the levies charged by the local authorities in respect of assessment rates and the provision of water and electricity, refuse removal and so forth.

The sub-committee is presently occupied with the preparation of a memorandum to the Committee of Ministers of Housing.

Mr K MOODLEY: Mr Chairman, with respect, if that committee has found that water and electricity are causing this problem, I would like to refer to the circular which was sent out to local authorities on 12 August 1987. From then until now the problems which arose out of this new formula have not been addressed.

I will point out one or two of these instructions. On page two of this circular section 3.2.3 reads as follows:

If a person's income is so low that it is necessary

to subsidise the other components making up the rent (such as contribution towards maintenance, administration costs etc), service costs or the operational costs of the townships, the relevant welfare departments should consider it: It cannot be subsidised by the statutory fund.

That is one instruction. Let us look at page three, section 3.2.16. Here it says very clearly that—

A tenant or purchaser in respect of a dwelling with a higher rental value than that applicable to his particular income group, pays interest and redemption according to the percentage applicable to the income group for a dwelling of that value.

To emphasise the point, if a person is earning R450 and he lives in a house which is costing him R18 000, he pays R59,50 which is 14% of his income. If the same person, earning the same amount, lives in a house which is costing him R30 000, he pays R193,75 which is 42,8% of his income. I agree that water, electricity and other contributions are separate from the rental, but this has got to be addressed as it has been fleecing our people for far too long. [Time expired.]

Mr M Y BAIG: Mr Chairman, I want to commend the hon member for Southern Natal for bringing this serious problem in our community to the attention of the hon the Minister. The hon the Minister must bear in mind that this problem largely affects the sub-economic group. These people are constantly being harassed by all kinds of problems.

This problem, as the hon member for Southern Natal pointed out, does not end here. One has got to take into consideration the ever-increasing cost of electricity. Added to that is the cost of refuse and other levies which the hon the Minister also mentioned. I would like to know what the hon the Minister of Housing is doing about these costs which the municipalities are seemingly increasing unreasonably. We as MPs are being inundated with complaints about this in our constituencies. [Time expired.]

Mr P T POOVALINGAM: Mr Chairman, I note that the hon member for Southern Natal has been attacking the hon the Acting Minister of Housing which I think is unfair. The hon the Acting Minister has too much on his hands. [Interjections.] I think, therefore, that the Acting Chairman of the Ministers' Council should recommend

to the hon the State President that the hon member for Red Hill, who did excellent work as Minister of Housing and who made great sacrifices, should be reinstated in that position.

There is only one man in this House who should be made Minister of Housing and that is the hon member for Red Hill. Instead of getting into the greengrocer business selling carrots, offering chairmanships and so on in return for political support, it is time that the majority party in this House did things properly in the interests of the community.

The interests of the community require that we have a proper full-time Minister of Housing who will be able to attend to the needs of the community in that respect. I repeat that there is only one man who has the integrity for this job and that is the hon member for Red Hill.

Mr Y MOOLLA: Mr Chairman, I am grateful for the positive remarks of the hon member for Reservoir Hills and for the fact that he acknowledges that we have some very good people on this side.

I want to say that I am pleased that the hon the Acting Minister of Housing has reported that something is being done. I believe that this particular formula was ill-conceived and did not address the problem as it ought to have done, namely at the lower socio-economic levels of our community.

Furthermore I would like to appeal to the hon the Minister to see to it that dealing with this particular problem should not merely be confined to departmental officials and heads. I believe that we should have more input from a larger section of the community. Whether they belong to parliamentary groups or extra-parliamentary groups is immaterial. I think if we want a solution to the housing problem, it must be depoliticised and we must have an input from a cross-section of the community.

The CHAIRMAN OF THE HOUSE: Order! I want to make an appeal to hon members. Whilst the hon member for Stanger was on his feet, the extent of the noise here was excessive. Hon members must please respect the rights of hon members to be heard. I want to appeal to hon members please to lower their voices.

The ACTING MINISTER OF HOUSING: Mr Chairman, I have taken note of all the contribu-

tions made in connection with this interpellation. I am very mindful of the fact that there are difficulties as far as rentals are concerned. I do want to mention to these problems are being attended to by the sub-committee which will include in its memorandum any necessary recommendations regarding the formula.

There is not much we can do as far as the municipality is concerned, although I would like to ask my colleague, the hon the Minister of Local Government and Agriculture, to see what he can do about local government. However, I do want to say that Ministers of Housing are still very concerned about the matter and the whole rental formula will have to be properly addressed after a thorough investigation of all the factors contributing to this rise.

Mr M THAYER: Mr Chairman, on a point of order: When the hon member for Reservoir Hills addressed the House, he stated that the only hon member with integrity to hold the position of Minister of Housing . . . [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! The hon member is on his feet and he must continue.

Mr M THAYER: Mr Chairman, he said that the only hon member who has the integrity to hold the position of Minister of Housing was the hon member for Red Hill. I believe this is a slur on this House.

The CHAIRMAN OF THE HOUSE: Order! Can the hon member for Reservoir Hills explain what he implied?

Mr P T POOVALINGAM: Mr Chairman, what I meant was that the only person with the necessary integrity and ability on the Solidarity side who was capable of performing the functions of Minister of Housing was the hon member for Red Hill, who has made sacrifices to defend his department in the past, under infamous attack from other people. Integrity means an integration of all attributes . . .

The CHAIRMAN OF THE HOUSE: Order! I accept the explanation of the hon member for Reservoir Hills that he did not mean to cast a slur on anybody.

The ACTING MINISTER OF HOUSING: Mr Chairman, on a point of order: The hon member for Reservoir Hills said that as far as integrity was concerned, the hon member for Red Hill was the

only hon member with integrity. That is a slur on hon members on this side.

The CHAIRMAN OF THE HOUSE: Order! Did the hon member for Reservoir Hills try to imply that other hon members have no integrity?

Mr P T POOVALINGAM: Mr Chairman, I trust that the hon the Minister of Education will understand the meaning of the word integrity.

Mr M THAYER: He is lying!

Mr P T POOVALINGAM: It is a very good word. In the English language it means a lot of things. It means ability . . .

The CHAIRMAN OF THE HOUSE: Order! Can the hon member for Reservoir Hills please indicate whether he tried to imply that other hon members did not have integrity.

Mr P T POOVALINGAM: Sir, I did not intend to imply that the other hon members are dishonest. I did not intend to imply that at all. Of course, some of them are selling carrots.

The CHAIRMAN OF THE HOUSE: Order!

Mr Y MOOLLA: Mr Chairman, with the greatest respect, I think that we are skirting the issue, that the hon member's comment did by implication suggest that others do not have the necessary integrity.

The CHAIRMAN OF THE HOUSE: Order! I think the hon member for Reservoir Hills will satisfy us all by withdrawing the word integrity as a slur on any other hon member.

Mr P T POOVALINGAM: Mr Chairman, with respect, I withdraw the word only. Therefore my sentence will read: He is an hon member with the necessary integrity to be the Minister of Housing.

The CHAIRMAN OF THE HOUSE: Order! That is acceptable.

Mr M Y BAIG: Mr Chairman, during the alteration the hon member Mr Thaver said the hon member for Reservoir Hills was lying. That is unparliamentary language.

The CHAIRMAN OF THE HOUSE: Order! Did the hon member Mr Thaver say that? The hon member must immediately withdraw it.

Mr M THAYER: I did say he was lying. I withdraw it, Mr Chairman.

HOUSE OF DELEGATES

Bloemfontein: schooling for 40 Indian children
2. **Mr A E LAMBAT** asked the Minister of Education and Culture:

(1) What steps are being taken to provide immediate schooling for the approximately 40 Indian children of school-going age living in the Bloemfontein area;

(2) whether the parents of these children have been requested by his Department to send them to a boarding school in Rustenburg?

THE MINISTER OF EDUCATION AND CULTURE: Mr Chairman, the reply to Interpellation 2(1) is that during December 1987 my department negotiated with the Christian Brothers College in Bloemfontein to provide schooling for our Indian pupils. The Christian Brothers College, which is a multi-racial private school run by the Catholic church, agreed to accommodate our pupils from pre-primary classes to standard 10 on condition that the department provided financial assistance. This department agreed to subsidise the tuition fees paid by parents to a maximum of R250 per pupil per annum, and 34 pupils were enrolled at the college on this basis in January 1988. During the course of 1988 a number of parents decided to remove their children from the Christian Brothers College and form their own private school. This school is known as B M J College and operates in three rented offices situated in the old market building. The school has an enrolment of 30 pupils in classes ranging from pre-primary to standard six. There are a further 10 pupils in classes ranging from standards seven to 10 who receive their education through Damelin Correspondence College with assistance from the teachers at B M J College. The B M J College has intimated that it intends to apply to the department for subsidisation and registration as a private school. In the meantime the enrolment of Indian pupils at Christian Brothers College has dropped to 16. As the Minister responsible for education, I discussed the problem with my colleague, the hon the Minister of Education and Culture in the House of Assembly, to seek his assistance. He recently made certain proposals concerning the provision of or renting of accommodation and the feasibility of these proposals is being investigated by my department.

As far as the second part of the interpellation is concerned, the possibility of accommodating pupils living in Bloemfontein at the boarding school

in Rustenburg was put to the parents by the department. This option, however, did not appeal to the parents.

Mr A E LAMBAT: Mr Chairman, we are dealing with the lives of children and this is something very important. Our children need education and it is the responsibility of this administration to see to it that our children get their education. It does not matter whether it is one child or 10 children. I was very much surprised when the hon the Minister of the Budget told me the other day that schools in little "dorpiess" were not State schools. They were subsidised by the local community and the Government. He also said that a school for 40 children in Bloemfontein would not be a viable unit.

Here I have a list of seven schools in the Transvaal. At four schools there are only 22 children, at another there are only 24 children, at another there are only 20 children and at another there are only 27 children. There is also a nursery school which is run by the State. It is not State-aided. It is not subsidised by the State or the local community. It is run by the State.

If this administration has undertaken to look after our children, then they should see to it that our children get an education. It is no use saying that we should subsidise private schools. Why should we subsidise private schools? It is our duty to see that our children get an education. Those children who attend the Christian schools have all been removed. At the moment there are no children attending that school.

In December 1988 we, together with the hon the Minister of Education and Culture in the House of Delegates, held a meeting with the hon the Minister of Education and Culture in the House of Assembly. In December 1988 he told us that he was looking for premises which he would then hire to the House of Delegates so that we could run those schools. A term has gone by. We are now in March and April is coming up, but nothing has been done.

For the whole of last year our children did not get State education in Bloemfontein. The first term of this year has gone by. We are in the first half of this year. Are our children still going to roam the streets? Are they not going to receive an education? Are we not going to look after our children? Why did the hon the Minister take the responsibility for our children's education upon himself if

he is not going to look after them? [Time expired.]

The CHAIRMAN OF THE HOUSE: Order! I am a little concerned about the hon member for Actonville's health. I think he should calm down a little.

Mr J V IYMAN: Mr Chairman, I am surprised at the hon member for Actonville's outburst. Any educationalist will testify that it is not feasible to run a school consisting of 10 different classrooms for 40 children. It is not just the building that is involved. It is not just the funds that are involved. One cannot afford to have a teacher for four or five children. If there are 40 children and there are 10 different classrooms, this will not be a feasible proposition.

Mr A E LAMBAT: Mr Chairman . . .

The CHAIRMAN OF THE HOUSE: Order! The hon member for Camperdown is on his feet. The hon member for Actonville still has time to speak later and he may reply then. The hon member for Camperdown may proceed.

Mr J V IYMAN: We should help the Administration: House of Delegates. If the hon member for Actonville was sincere in his appeal, he should have given hon members a breakdown of how many children are in each class. To say that there are 40 children in a school is not enough. How many children are in the preprimary school? How many children are in standard 1? How many children are in standard 10? That is what the hon member has failed to answer. [Time expired.]

Mr M RAJAB: Mr Chairman, first of all I want to say that is untenable to have a Ministry which supposed to provide education for our children and which is, in fact, unable to do so. I understand that one has to have economic units, but we have a particular problem in Bloemfontein. It is not a problem that has been created by this administration, but I would think that the hon the Minister should have done everything in his power to get the Catholic school to continue giving tuition to these 40-odd pupils. I am not so sure about the B M J College that has been mentioned. I am not sure what standard of education they are providing. I think not enough has been done in this particular instance. I must endorse what the hon member for Actonville has said, namely that it is the responsibility of the department to provide education for our chil-

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involved and (c) what amount was spent on each of these plant varieties?

B268E

The MINISTER OF AGRICULTURE:

- (a) R554 040,00 for the period 1 April 1988 until 28 February 1989;
- (b) opuntia species (jointed cactus) and nasella tuft-grass;
- (c) R380 366,00 on opuntia species and R173 674,00 on nasella tuft-grass.

Reply substituting reply to Question No 65 on 3 March 1989, put by Mr R R Hulley (col 211):

SADF complaints regarding actions of troops in townships

65. Mr R R HULLEY asked the Minister of Defence:

- (1) Whether any official complaints were lodged with the South African Defence Force in 1988 regarding the actions of troops in any Black townships; if so, (a) how many, (b) on what dates and (c) what was the nature of the complaints in each case;
- (2) whether these complaints have been investigated; if not, why not; if so, what were the findings in each case;
- (3) whether any action has been taken as a result; if not, why not; if so, what action?
- B166E

The MINISTER OF DEFENCE:

(1) Yes (2) and (3) Yes

(a) 7	(b)	(c)
22-05-88	Assault	The member was handed over to the Lebowa Police. SA Defence Force is not responsible.
02-06-88	Assault	The member was found not guilty and the SA Defence Force nor responsible.
11-06-88	Rape	Civilian trial. 18 months imprisonment suspended for 3 years and 5 lashes with a cane. Fine of R50 was also imposed for Contempt of Court.
15-06-88	Pointing of a firearm	Case has not been finalized.
16-10-88	Harassment	The Officer Commanding of the Command resolved the dispute with the plaintive.
25-10-88	Murder	The SA Police is investigating the case.
03-11-88	Assault	The member was found guilty and a fine of R50 or 10 days imprisonment was imposed.

HOUSE OF REPRESENTATIVES

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Self-help building schemes

1. Mr C KOEBERG asked the Minister of Local Government and Housing:

Whether he will make a statement on self-help building schemes?

*The MINISTER OF LOCAL GOVERNMENT AND HOUSING: Mr Chairman, the answer to the question is yes, self-help housing is an approach to the urgent provision of affordable housing for our community. It is also aimed at promoting home-ownership.

Our housing programme is imaginative and flexible and is carried out in co-operation with the community, management committees and local authorities.

The Housing Board has already approved applications for about 6 000 units throughout the country and many of the houses have already been erected. The department receives new applications every day for this highly successful programme.

In the Western Cape alone there are 60 local authorities involved in self-help projects. There are also projects in the Northern Cape, the Transvaal, the Orange Free State and Natal.

*Mr C KOEBERG: Mr Chairman, I should like to ask the Minister to tell us whether he is going to concentrate in the future solely on self-help housing as his department interprets it, or whether he still intends continuing with the provision of conventional houses. The reason I am asking this is because self-help housing in the small towns in the rural areas is perhaps not as successful as in the Cape. [Interjections.]

*The CHAIRMAN OF THE HOUSE: Order! The hon member's time is now being wasted. He only has two minutes.

*Mr C KOEBERG: Mr Chairman, I did not say it was not working. I am talking about different

towns. In some towns it can work, but in others it will not work. Artisans are scarce in some towns.

I should like to know from the hon the Minister what has happened to the funds appropriated for housing—such as the conventional housing in Graaff-Reinet—because the officials say that there are no more funds for this type of housing, but only for self-help building schemes. If funds for self-help building schemes are in fact being made available, why can funds for conventional housing not be made available too? Could there not be a division and couldn't the Government be asked to assign a certain number of plots for the one type of scheme and a further number for the other type of housing scheme?

The waiting lists would get much longer, because it would probably take the owner two years to build a house himself if he did not have assistance. In such a situation the waiting lists will get even longer. I therefore want to ask the hon the Minister to ensure that the conventional type of housing will continue to be built and that he will not think only in terms of self-help building schemes. [Time expired.]

*Mr A ESSOP: Mr Chairman, there is some confusion with regard to the erection of self-help housing. Some local authorities ask those who are interested in the self-help building schemes to first purchase land from the local authority. The land is therefore not included in the contract entered into initially between a self-builder and the local authority. I would very much like the hon the Minister to clear this matter up. Is the price of land included in the original purchase price, or is it an additional amount to be paid?

Secondly I want to refer to the deposits. Is it obligatory for a person who belongs to the self-help building scheme to pay a deposit?

Mr C E GREEN: Mr Chairman, I should like to know from the hon the Minister if it is not possible for the person who wants a house to exercise an option. He must have an option if he wants to have a self-help house. This should not be a hard and fast rule. People in the platteland find it difficult to operate a self-help scheme. They find it impossible to do.

I should like the hon the Minister of Local Government and Housing to ask his officials to approach the matter from a different angle when they market these self-help schemes. What happens now, is that the officials are saying they are

not building conventional homes and that we must build self-help homes. This is a tragedy. We are going to waste the department's money, because one has to look at the topography of the land, the clay formations have to be inspected and the soil has to be tested. If there is any suspicion . . . [Time expired.]

Mr P MCKENZIE: Mr Chairman, does the hon the Minister agree that building costs are so expensive these days that the majority of home-seekers cannot afford to purchase building material in order to erect their self-help homes? Is the hon the Minister of the opinion, after a home-seeker has waited for more than 10 years for a home and is now told that the only home he can get is a self-help one, was the wait worth it?

Does the hon the Minister agree that self-help is finding favour with the larger majority of the people?

Mr C KOEBERG: Mr Chairman, I think some hon members do not understand the situation. We have different opinions about what we should do. The needs of our people differ. The hon the Minister should view this in a very serious light. In order to meet the need for housing immediately, large contractors must be obtained who can build a large number of houses immediately in order to eliminate the housing backlog. All I am asking the hon the Minister is that conventional houses should also be built. He should appoint contractors to do this. I can take hon members to two towns in my constituency today . . . [Time expired.]

THE MINISTER OF LOCAL GOVERNMENT AND HOUSING: Mr Chairman, hon members amaze me. They have the Belhar self-help building scheme right next to them. They should go to Brandvlei in the Karoo. Hon members amaze me because Belhar is next door to where hon members of Parliament live.

We will discuss these things in my Budget Vote, but we can build conventional houses in Port Elizabeth. The hon member for Haarlem should tell me why the houses in Port Elizabeth are not conventional when funds have been available all these years. Do hon members want to tell me that no conventional houses are available in Blue Downs? There are projects underway. Do hon members know their own budget and what is going on in their own constituencies?

Houses are being built. There are houses avail-

able. I want to invite hon members to my office so that they can talk to the officials. There are hon members who have entered into an agreement with the department for the erection of ordinary houses by means of contracts in the usual manner and there are contracts relating to self-help housing. Take Pietersburg in the Northern Transvaal as an example. This weekend I am going to open two self-help building schemes in Natal, namely in Ladysmith and Pietermaritzburg.

THE CHAIRMAN OF THE HOUSE: Order! Hon members are wasting the hon the Minister's time. He has only two minutes to deliver his speech.

THE MINISTER: Sir, self-help building schemes are one of the various options with regard to housing.

† If hon members want to argue the point we can argue it out next week publicly in this Chamber. What is the policy of the department? Everybody knows that self-help building schemes is an option. It is not the only option. I am astounded at what hon members are now saying, namely that we do not have leaders in our own community.

* We do not have artisans in Graaff-Reinet. [Time expired.]

Debate concluded.

Certain person involved in irregularities

2. Mr J A RABIE asked the Minister of Local Government and Housing:

Whether, pursuant to certain information which has been furnished to the Minister's Department for the purpose of his reply, he will make a statement on (a) a certain person who was allegedly guilty of irregularities in connection with the reselling of residential sites which he had bought from the Department of Local Government, Housing and Agriculture and/or another body or person in or about 1988 and (b) the sale of business site 4061 in Eldorado Park Extension 5 by the above-mentioned Department to a certain company?

THE MINISTER OF LOCAL GOVERNMENT AND HOUSING: Mr Chairman, the answer is as follows. Yes, the Ministry and the Department of Local Government, Housing and Agriculture have noted certain allegations which have been made with regard to the resale of

residential plots in Eldorado Park. The fact is that neither the Ministry nor the department has given any authorisation to any individual to purchase the plots which belong to the development board.

* Mr J A RABIE: Mr Chairman, I asked that question as a result of two reports which appeared in *Rapport Ekstra* on 7 November 1988 and 26 February 1989. However, the hon the Minister did not answer the last part of the question. They say where there is smoke there is fire. I thought the hon the Minister was going to say that there was neither smoke nor fire. What he has just said, heightens the suspicion of corruption, as stipulated in the newspaper.

In the first report in *Rapport* under the headline "LP se seun dringend gesoek. Bedrog beweer met droomhuise" it is alleged that erf 6381 and others were sold to more than one person, that the persons never obtained a house, and also that they never recovered the money they paid for the erven. Mr Garth Sweetland paid his deposit, but he never got it back. Subsequently the town council said the erf belonged to Mr Neville de Vries, and then the department said the erf belonged to Mr W N Petersen.

It is also alleged that Time Housing was allocated erven which had already been sold. I want to know from the hon the Minister exactly what is going on in respect of erven which belong to the department.

The second report is under the headline: "Die storie van die erwe met die verkeerde eienaars". According to the report erf 4061 was erroneously sold to M & M Motors. One of the directors said they had purchased it for speculation. This was how, for example, the education trust was able to purchase 4 000 square metres of the land for the purpose of the building they want to erect, having been offered the land by this particular director. The hon the Minister has not responded to this in detail. [Time expired.]

Mr N M ISAACS: Mr Chairman, with regard to these allegations I want to ask whether it is possible for the hon the Minister to inform this House if there are any safeguards in the tender process that would prevent the middle men, whose *bona fides* are questionable and who per-

haps are not the genuine developers, to make use of the successful tenders.

Furthermore, if safeguards are created, will the hon the Minister be able to eliminate and close up any loopholes in the whole process of tendering whereby the confidence tricksters, who can so easily exploit the situation, are prevented from doing so? What safeguards can be established to prevent a repetition of what is now taking place? [Time expired.]

* Mr C B HERANDIEN: Mr Chairman, I want to ask the hon the Minister exactly what his department's policy is with regard to the buying of erven which belong to the Development Board or which were developed with State funds. As far as I know, the correct way is to sell the erven directly to the prospective buyer and not to a particular developer. I want to ask the hon the Minister whether he thinks that there might not perhaps have been a blunder in this regard on the part of the local authority as well.

* Mr N M ISAACS: Mr Chairman, I want to ask the hon the Minister whether a certain Mr Blignault, who is employed in his department, still works there and whether Mr Blignault, as reported in *Rapport*, proposed a certain Mr Mateman as the developer. If this is true, it is in my opinion a breach of the department's policy for an officer of the department to link himself with a developer. I want to know whether any steps are being taken with regard to Mr Blignault.

Lastly I want to ask whether the firm Donovan, Mateman and Associates was registered with the department as the *bona fide* developers.

* Mr J A RABIE: Mr Chairman, since the hon the Minister is aware that this anomaly has taken place, I want to know what steps have been taken to correct it. Furthermore, since this smacks of corruption, I want to know whether he has submitted it to the Advocate-General for a comprehensive investigation and report to Parliament, because, when all is said and done, the properties which are being disposed of in this way belong to the State. I am thinking specifically of people who paid money and never recovered their money.

The MINISTER OF LOCAL GOVERNMENT

AND HOUSING: Mr Chairman, I forgot to answer the second part of the question.

The Development and Housing Board, following the recommendation by the Committee, comprising of the department's representative from the Johannesburg region, the Chairman of the Coloured Management Committee, a nominee of the City Council of Johannesburg, a town and regional planner of the department's head office and the Vice Chairman of the Executive Committee of the Development Board, approved of business site 4061 being sold to a certain Mr J C Pretorius to accommodate such activity as the City Council in consultation with the town planners may determine.

The hon members asked several other questions which were not part of the original question. I cannot reply to them. We will take up from Hansard the questions they asked and, in the debate on my Vote next week, answers will be given.

I just want to repeat what was said. Factually neither the Ministry nor the department concerned at any stage issued authority to a person to sell residential sites belonging to the Development Board. If the people went to a person and they gave him money, they must take that person to court. That person was involved in the transaction. The regional office, according to information I have received, issued no authority to sell any plots in that particular area to any person. These are private transactions and the people concerned must take the persons to court who sold those plots fictitiously to them. It has nothing to do with this department.

*The CHAIRMAN OF THE HOUSE: Order! A moment ago I mistakenly referred to the hon member for Matroosfontein as the hon member for Elsie's River. I am sorry; it is the hon member for Matroosfontein who made the mistake.

*Mr V SASS: It is the Chair that made the mistake.

*The CHAIRMAN OF THE HOUSE: Order! I did not make a mistake; I looked at the hon member for Matroosfontein and made a slip of the tongue, since the hon member makes so much noise. [Interjections.] Order! I did not, therefore, call the hon member for Elsie's River to

order, but the hon member for Matroosfontein. That concludes the questions.

QUESTIONS

fIndicates translated version.

For oral reply:

Own Affairs:

State Revenue Account: expenditure on universities

*1. Mr C J KIPPEN asked the Minister of Education and Culture:

What was the total capital expenditure from the State Revenue Account on universities under the control of his Department in the 1987-88 financial year?

C16E

The MINISTER OF EDUCATION AND CULTURE:

R54 553 000,00

Teachers: applications refused

*2. Mr C J KIPPEN asked the Minister of Education and Culture:

Whether any applications from suitably qualified (a) primary and (b) secondary school teachers for posts at schools under his control were refused by his Department in 1988; if so, (i) why, (ii) how many in each case and (iii) in which regions?

C24E

The MINISTER OF EDUCATION AND CULTURE:

(a) No.

(b) No

If posts are not readily available the names of unsuccessful applicants are placed on waiting lists at regional offices.

Saint Martin's Trust Area

*3. Mr T R GEORGE asked the Minister of Local Government, Housing and Agriculture:

(1) Whether it is the intention that the Saint Martin's Trust Area be utilized for housing development; if not, why not; if so, (a)

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(i) when and (ii) by whom will this area be developed, (b) what total number of plots is involved and (c) what, in hectares, is the extent of this area;

(2) whether he will make a statement on the matter?

C27E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes

(a) (i) After proclamation and acquisition of land.

(ii) No finality has been reached. Development thereof will as far as possible be privatised.

(b) 2 500-3 000 erven.

(c) ±300 hectare.

(2) No.

Riverlea Extension 1 area: housing development

*4. Mr T R GEORGE asked the Minister of Local Government, Housing and Agriculture:

(1) Whether his Department has received any recommendations concerning housing development in respect of the Riverlea Extension 1 area; if so, (a) when, (b) from

whom and (c) what was the purport of these recommendations;

(2) whether any decisions have been taken in this regard; if not, (a) why not and (b) when is it anticipated that decisions will be taken; if so, (i) when, (ii) what decisions and (iii) what were the reasons for these decisions?

C28E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes

(a) January 1989

(b) Johannesburg City Council

(c) Approval of construction of assisted housing

(2) Yes

(a) falls away

(b) falls away

(i) 12 January 1989

(ii) and (iii) Resolved that the application for the project be withdrawn for further investigation with the view to privatisation.

Housing ¹²³

sector hails Star 16/3/87 extra funds

By NORMAN CHANDLER

The housing industry gave its approval yesterday to the Budget announcement that financing was to be increased by 8.9 percent.

Mr Joe Taylor, managing director of the South African Housing Trust, said it was hoped that the increased funding — R917 million has been allocated — would be used "in the right areas of the housing market".

"This is the bottom end of the market, where we would like to see it going to the areas of the R15 000 and R18 000 units.

"We would very much like to see the money being used as a subsidy for the cost of serviced sites, rather than the financing of the units."

The chairman of Time Holdings, Mr Colin Hibbert, said housing was an important element of the socio-political equation in South Africa.

ECONOMY SPIN-OFF

"We are very pleased at the increase in State spending on housing.

"It is important, because housing has a direct spin-off into the economy, as there is no imported content in terms of labour and materials."

The funding could well mean the Government had taken a more positive look at the question of the availability of land.

"Any sort of Budget indication like this is very positive."

Mr Brian Longley, chief executive of EHA Homes, an Urban Foundation utility company, said: "We hope to see the money spent on providing access to serviced stands for lower income communities.

"We would be in favour of a capital subsidy rather than the present interest rate subsidy.

"Or, alternatively, the purchasing of land by the Government, and it being made available as public land," said Mr Longley.

Star 20/3/89

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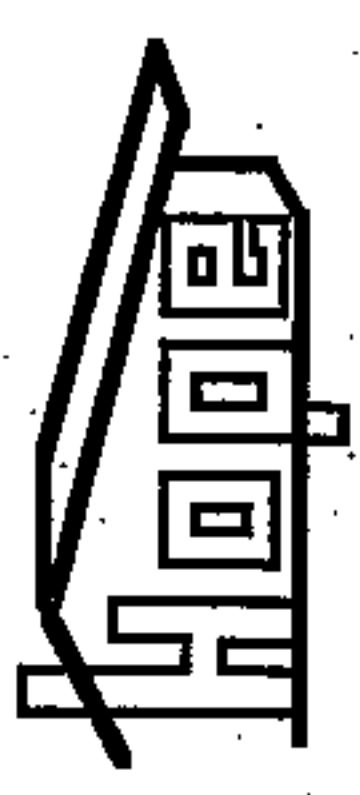
New systems can build homes swiftly and inexpensively

By Norman Chandler
New and inexpensive building systems, primarily aimed at the mass housing market, are in the process of launching.

First National Bank and the United Building Society have become the first financial institutions to approve the "Amper Mahala" non-conventional construction system, which has been awarded a Mantag certificate by the Agreement Board of South Africa.

The system, which basically involves pre-fabricated plastered welded wire mesh in panel form, is suitable for the construction of simple, detached single-storey houses in all climatic zones of southern Africa.

It has already been accepted by some local authorities, and several large companies are using it for labour housing requirements, Mr Keith Oliver of Ampher Mahala Housing Trust said last week.



The pre-fabricated framework can be erected in a matter of hours and a house would normally be completed within a few days. The Trust's factory at Jet Park in Boksburg has a capacity of 500 homes a month. These range from 102 sq m to 16 sq m and prices are from

R30 336 to R4 434.
Another system is the "Husky", which has been introduced in the Transvaal after trials in the eastern Cape.

It is claimed to reduce construction costs and cut construction time compared with conventional building methods.

The system, which also has a Mantag certificate, was developed by Mastercrete (Pty) Ltd. It has been approved by a number of building societies.

The new system consists of external walls formed by factory-produced pre-stressed concrete posts and precast insulated concrete wall panels. The structure is maintenance-free and long-lasting.

The Transvaal franchise holders, Goede and Pieterse, say the system is quick and easy to erect. Cost of a house built through the system is about R18 000, including flooring, plumbing and electrical.

any other areas in the Johannesburg metropolitan area declared free settlement areas; if not, why not; if so, (a) which areas and (b) when in each case;

(3) whether he will make a statement on the matter?

C26E

THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) No. My Department has no authority in terms of the Free Settlement Areas Act 1988, Act No 102 of 1988, to request the Free Settlement Board to investigate the areas mentioned or to declare a free settlement area.

(2) In the light of the answer to question 1 above this question falls away.

(3) No.

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the hon the Acting Minister fully investigated this private developer and whether any hon member of this House or relatives of hon members of this House were in one way or another involved with such private developer.

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Thornville: development of land for Indian occupation

1. Mr M RAJAB asked the Minister of Housing:

(1) Whether it is the intention of his Department to acquire a large tract of land in Thornville, Natal, from a private developer for the erection of houses for Indian occupation; if so, what are the circumstances surrounding this transaction;

(2) whether he will make a statement on the matter?

The ACTING MINISTER OF HOUSING: Mr Chairman, the reply is:

(1) No, there is no intention to acquire any land at Thornville from a private developer.

My department was approached by private consultants who compiled a lengthy report on the viability of establishing a township at Thornville for the Indian population group. These consultants requested that my department support their application for the proclamation of Thornville as an Indian group area.

After carefully considering the proposals contained in the report, the Ministers' Council of the House of Delegates gave its full support to the proclamation of Thornville as an Indian group area.

As far as my department is concerned, this is a totally private development with no financial commitment from State funds.

(2) No.

Mr M RAJAB: Mr Chairman, I have heard the hon the Acting Minister of Housing indicate that it is not the intention of his department to acquire any land in Thornville, but that it has supported the application of a private developer in that regard.

The question that arises in my mind is whether

the hon the Acting Minister fully investigated this private developer and whether any hon member of this House or relatives of hon members of this House were in one way or another involved with such private developer.

I merely want to say that as a consequence I would like the hon the Minister to give me a commitment that companies doing business relating to land with this administration are fully checked as to directorships and shareholders so as to ensure that we do not have a repetition of the past. I want to say that it would be highly irregular for a member of Parliament or members of his family to be involved in any deal concerning land with this administration. I would like to get a commitment from the hon Acting Minister of Housing this morning that this is in fact the policy which the administration will apply. I ask this in the interest of clean administration and so as to prevent a recurrence of the past. [Time expired.]

Mr Y MOOLLA: Mr Chairman, I think that when one talks about hon members of this House being involved, one must be more specific and clear. It is evident that this is a private development and the hon the Minister has made it abundantly clear that the House of Delegates is not involved in this development. I think that just to chase spooks and shadows is not the object of the exercise. I believe that what we need to do here is to be clear. If a private developer is providing housing which will alleviate the need for housing, I believe one must encourage this. The more housing stock we have in South Africa, the better it is for the community at large. I agree that one must not abuse one's position, but unless and until one can establish that, one cannot go around speculating.

Mr A G HURBANS: Mr Chairman, the hon the Minister has certified that he had no intention of buying land from a private developer, but I would like to find out whether his department intends to build homes in Thornville. If so, have they identified any other land, and if so, can the hon the Minister tell us who owns the land now?

Mr K MOODLEY: Mr Chairman, this item which is being discussed affects my constituency. This investigation arose from a firm of consultants in Johannesburg purchasing large tracts of land from White owners in the Thornville area. I received a full report of the investigation and I gave it my full support, because we are very short of housing in the constituency of Southern Natal.

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I can give this House the assurance that as far as my knowledge goes, no persons from the House of Delegates or their families are involved in this.

Mr P T POOVALINGAM: Mr Chairman, I believe, in fairness, that nobody should make imputations. Nobody is making any imputation, but I believe it would have been better if the hon the Acting Minister had given us the name of the company, its directors and so on. I am sure that the future Minister of Housing will in fact look into that and I ask him to do so and to give us that information so that it can be laid on the table.

The ACTING MINISTER OF HOUSING: Mr Chairman, I want to assure the hon member for Springfield that I understand his message quite clearly, but also that this administration is committed to clean administration and will not involve itself in any complicated business where it feels it is dangerous to tread.

I am not aware of any hon member of the House or any MP or any member of the family of an MP being involved in this development. It is a private developer. That is our information.

The hon member for Tongaat asked whether we have identified any other land. I want to tell hon members that at this stage we have not. This is all I have to say.

Debate concluded.

First-time home-owners' subsidy scheme

2. Mr P IDEVAN asked the Minister of Housing:

Whether the amendment of the first-time home-owners' subsidy scheme which permits the purchase of flats and houses under R65 000, will apply to purchases made by Indians; if so, with effect from what date?

The ACTING MINISTER OF HOUSING: Mr Chairman, yes, from 1 August 1988.

Mr P IDEVAN: Mr Chairman, I am pleased with the information given. What invariably happens is that the public and persons affected, those who have an interest in a particular proclamation, are not aware of the announcement. Invariably they are disadvantaged. What I want to know specifically is whether attention will be given to the matter so that people who are affected or interested will be informed of the benefits that will accrue from this new dispensation?

Mr M RAJAB: Mr Chairman, I am pleased that

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this situation does in fact obtain. However, I am a little unhappy that the administration did not take the trouble to advertise the fact fully. I support what the hon member for Cavendish has just said, that it is the responsibility of the hon the Minister to tell the community exactly what the advantages that will accrue to them would be. I would still expect the new acting hon Minister to do just that.

Mr B DOOKIE: Mr Chairman, I would like to tell the hon the Minister that he can, on these issues, take up the matter with his colleagues. The Ministers of Housing do get together on a group basis, as a committee, and when an announcement of such a nature is made, then it could come as a collective announcement so that it will affect all the Houses. The Minister of Local Government and Housing in the House of Representatives said in the media it affected him. However, it seems to me that when the decision was made by the Treasury, it was not filtered down to the House of Delegates. I want to know from the hon the Minister whether this decision was reached in such a meeting, because it is a Treasury decision taken on this particular aspect.

Mr Y MOOLLA: Mr Chairman, I think this particular question arises from the fact that there appears to be some confusion. I believe the confusion is as a result of having different own affairs departments with regard to housing. If it was centralised, we would not have this type of confusion. Then it means that we could work towards that ultimate objective. I would also like to suggest that this question of subsidy be universally reviewed constantly. When an announcement is made, it must be made in respect of everybody—every citizen in this country.

The ACTING MINISTER OF HOUSING: Mr Chairman, it seems to me that there is absolute confusion as far as this question is concerned. I want to make it clear that I am answering a question relating to first-time home owners. I am not answering a question on what my colleague in the House of Assembly has announced. That question has not been asked. The question asked was whether the amendment of the first-time home-owners' subsidy scheme, which permits the purchase of flats and houses under R65 000, will apply to purchases made by Indians. If so, from what date? That is what I have answered. If there is an answer required for the other matter, I want to state quite categorically that this administration is seriously thinking about that question.

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However, it has not made a decision. The decision will be based on various factors. Firstly, our White counterpart—my colleague in the House of Assembly—has a problem. His problem is that he has too many new houses on hand. We have not reached that stage. Therefore he is encouraging the first-time home-owners to buy second-hand houses, if I may put it that way.

Mr P T POOVALINGAM: Do you buy two houses?

The ACTING MINISTER: No. A second-hand

Debate concluded.

house, an existing house, can be bought. If a first-time home-owner buys an existing building which is not new, he will be given a subsidy.

Mr P T POOVALINGAM: Will you support only Whites getting that benefit?

The ACTING MINISTER: We have not arrived at that position. Our policy is to build more and more new homes to meet the demand. We have not met the demand yet. I hope that is clear. [Time expired.]

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PROPERTY

Call to design dwellings for bottom-end earners

By MAGGIE ROWLEY
Business Staff

DEVELOPERS of local technology have been challenged to design a housing unit that lends itself to labour-based erection and which families with an income of R500 would be able to afford.

The challenge has been issued by FHA Homes, a housing utility company originally established by the Urban Foundation in 1983 under the name of The Family Housing Association.

Mr Alan Kitchen, FHA research and development manager, said that houses costing R16 000 and more were affordable to less than 50 percent of the black population while the top end of the market — houses for R40 000 and more — was becoming saturated.

As a result FHA was trying to encourage entrepreneurs to develop and market viable low-cost building systems.

To enable developers to do this FHA has set aside a number of stands in a Katlehong, a township near Germiston, for the erection of show houses.

"Systems that merit consideration but do not progress beyond the drawing boards of their inventors or are unable to gain initial acceptance can now be tested in the market sector for which they are intended," he said.

Mr Kitchen said that market perceptions of affordability, quality, attractiveness and ultimate acceptability of the product were crucial

to the success of any building system.

"Once a degree of demand has been established, FHA could possibly take first option on the system and may become a franchisee or be involved in further development of the product for building construction purposes.

"Our mission is to take housing down-market. In fact the challenge is to see how far down we can reach. Our aim for 1989 must be to make housing available to families earning as little as R500 a month," he said.

He said systems most likely to succeed were those that allowed the owners themselves to extend their houses as and when they had funds at their disposal.

"Initially the owner of a serviced stand can build the most basic form of accommodation and gradually enlarge and upgrade his dwelling," said Mr Kitchen.

For further details contact Mr Kitchen (011) 8363381.

Blue Route

Blacks lead in housing ideas

INTERESTING initiatives for black housing were arising from the community itself, Rodney Harber, lecturer at the Natal School of Architecture, said this week.

Speaking on the theme "Beyond the Colony: Planning for the 21st Century" at the university, Harber said it was proven that the turning point for housing development in any country came when at least 50 percent of the population became urbanised.

South Africa had now reached that stage and it was necessary to explore the wealth of ideas coming from the black sector.

Most people in Durban were living in shacks - in some cases 26 000 people use one set of taps.

There was an incredible difference in services between formal and informal settlements, he said.

Initiatives for black housing were being developed, such as building with interlocking cardboard boxes, using all available materials - including waste products such as sorghum beer containers, beer cans and tinfoil.

The degree of innovation was quite stunning, he said, adding that it was ironic that no textbooks were available for builders.

"We have to experiment with different ways of looking at building and we have to work from the bottom upwards." - Sapa

MAJOR building societies have notified mortgage borrowers of another increase in bond rates — at a time when the Reserve Bank is resisting pressure to increase the bank rate yet again.

The Natal Building Society, United Building Society, Perm, Provincial and Saambou have all sent out notices increasing their rates. Saambou has boosted its rate from 18,25 to 19 percent from May 1. Its commercial bond rate moves from 19 to 19,5 percent. The others have moved their rates on domestic dwellings from 18 to 18,75 percent.

Mr Barry Witfield, the Perm's general manager marketing, said the new Perm rate of 18,75 percent applied to normal domestic dwellings. But bonds for commercial buildings increase to 19,75 percent, from 19 percent.

The effective date of the increase varied but, generally, the higher Perm repayments would be due from May 15.

Immediate effect

The UBS said its rate moves to 18,75 percent immediately for new bonds. For existing bonds the effective date is May 1.

Mr Brian Short of the NBS said his society had tried to keep the rate down for as long as possible.

But the Allied Building Society already had announced a move to 18,75 percent, First National Bank to 19 percent and Standard Bank to 18,75 percent.

As a result of the upward pressure, the NBS had lifted its deposit rates from March 20 and it was, therefore, necessary to adjust its lending rate. This would be effective from May 1.

Mr Short said the NBS would accommodate borrowers facing hardship as a result of the latest rise as bond repayment costs had soared by more than 50 percent in the past year.

R772 rises to R801

Borrowers with R50 000 bonds will see their repayments move from R772 to R801 a month as a result of this newest increase.

Those in difficulty could approach the NBS with a request that their repayment period be increased. This would mean holding repayments at current levels. Mr Short emphasised that this should be done only if essential.

Meanwhile building society chiefs today said they hoped rates in general would not increase again.

Yesterday, the banks were alive with rumours of another increase in the bank rate which would push mortgage rates up yet again. However, the Reserve Bank is reported to have eased the liquidity shortage and a Department of Finance official described the new market pressures as artificial.

● Low gold threatens Budget, page 23.

Bond rates up

asain

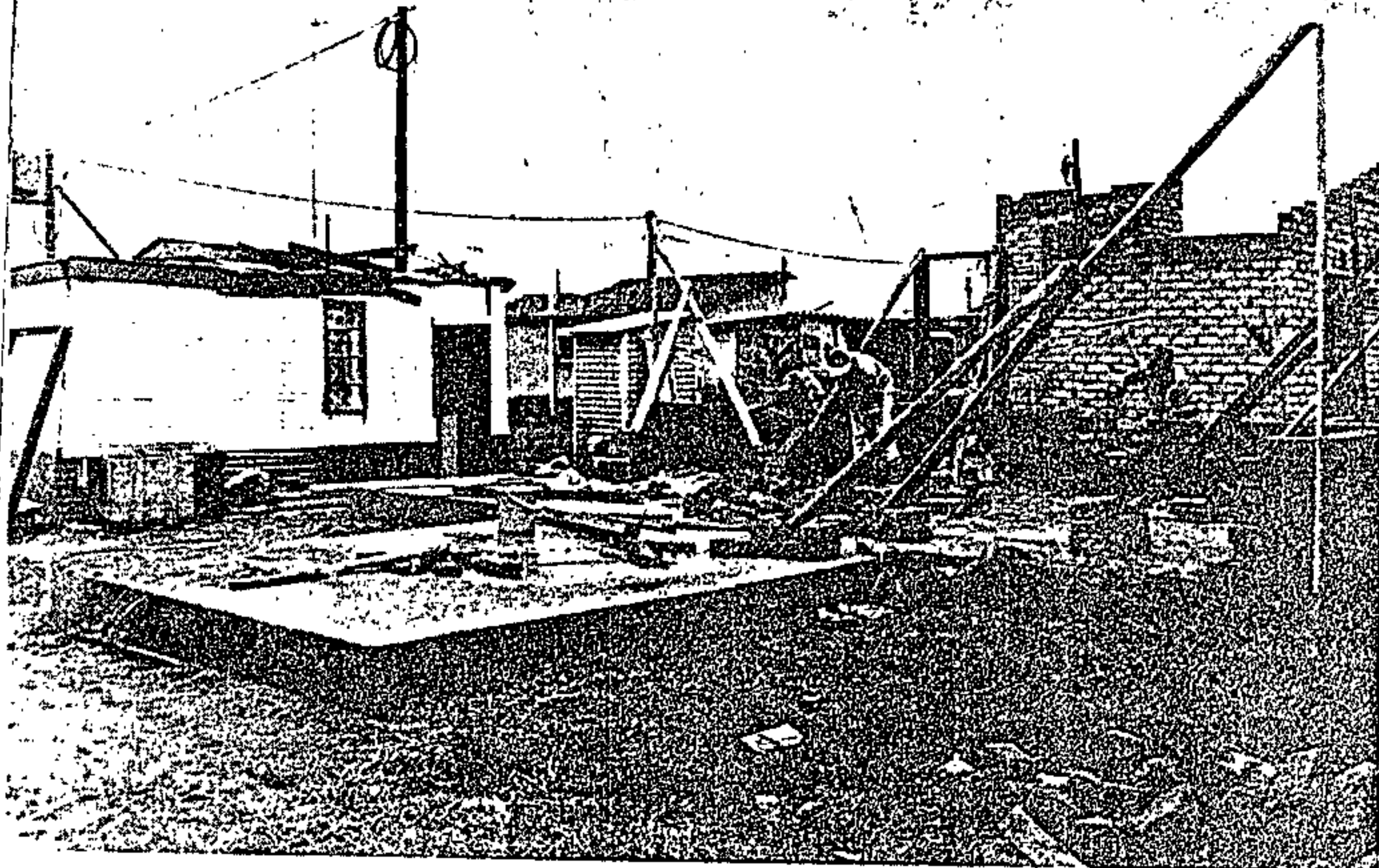
Business Staff

ARCS 30/3/89

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HOME IMPROVEMENTS

Solving critical housing shortage



A HOUSING utility company has challenged South African technology to come forward with ideas which will contribute towards making housing affordable to families earning as little as R500 per month. Systems most likely to succeed are those that allow the owners themselves to extend their houses as and when they have funds at their disposal.

Cost effective construction

SOLD
HOUSE



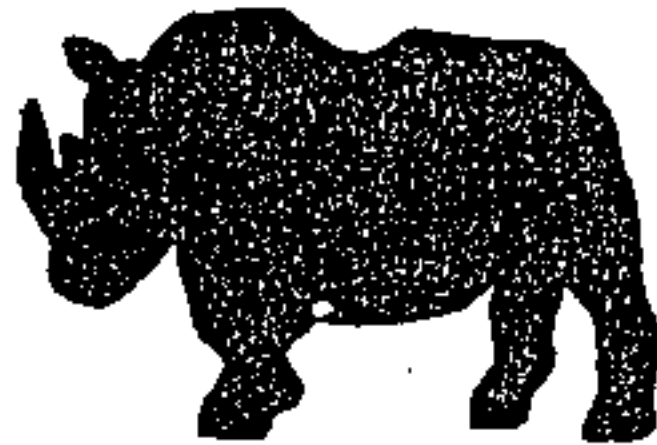
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A SOUTH African company has developed a unique and cost-effective construction system in an effort to solve the critical shortage of housing in the country.

Mr T D Berbeyer, marketing manager of Ultraplan Systems Limited, said the newly invented system was based on a dry stacking interlocking system with numerous features, making it the most economical system available to date.

He said the system was designed in such a way that no cement was required for adhesion, thereby eliminating the need for a team of labourers to mix and supply dagha to the bricklayer.

Dagha mix

The Ultraplan blocks are delivered on site as a package and put together as a kit. By eliminating cement and the dagha mixing team, costs of materials and labour are considerably reduced.

"The blocks are designed in such a way that they fit into one another. This feature eliminates the need for skilled labour. Once the initial layer of blocks has been lain, the rest are stacked easily and quickly.

Conventional

"Since the size of the Ultrablock is the equivalent of about eight conventional bricks and is much lighter, the construction of a house requires much less time than a conventional brick house," Mr Berbeyer said.

He said the design of the blocks was of such a nature that no skilled labour was required. He said the blocks could actually be assembled by the owner himself.

Call for mixing formula

Political Reporter

An imaginative formula for racially mixed residential living should be found to convince the Government to scrap the Group Areas Act, Wits academic Professor Lawrence Schlemmer told the Idasa conference.

Professor Schlemmer elaborated on the "spreading effect" whereby more people should move into existing white suburbs where their presence would not be resisted.

Pressure should be put on the Government to avail more land for housing and to open all new residential areas.

Professor Schlemmer said the Group Areas Act would not be scrapped within the next three to five years.

"We all agree that the Act is immoral. But if it is scrapped immediately, the right wing will mobilise resistance which would increase its relevance. And that is something the Government would not want to see," he said.

3/4/87
5/1/87

123

Ampros forecasts sharp increase in office rents

Office rents could rise to R33,50 a sq m by the end of this year and hit a peak of more than R46 by December 1990.

This is the view of Mr Graeme Lindop, national leasing director of Anglo American Property Services (Ampros), who believes that if the gap between office rents and the consumer price index (CPI) is to be closed, rents will have to increase by 90 percent over the next two years.

Speaking at an Ampros office leasing seminar recently, Mr Lindop said: "While future projections are difficult, I forecast a minimum rental growth of 25 percent this year, which would have the effect of significantly narrowing the CPI gap.

"However, if the gap is to be closed, it will have to be within the next two years as this will probably be the last chance in the present boom."

Looking at past rental movement, Mr Lindop said that in 1987 office rents barely moved, having fallen by 10 percent in 1986.

Last year, though, there was

Property & Construction

FRANK JEANS



a dramatic turnaround, with rental growth in Johannesburg of 38 percent and of 37 percent as a whole elsewhere.

In its latest property review, Ampros says the demand and supply position in Central Business District office markets has reached the point where the five-year tenant's market is slowly changing to what the company believes will be a strong landlord's market for at least the next two to three years.

"Concern over a slowdown in

the economy expressed by most economists at the end of 1988 has been replaced by optimistic forecasts of a growth rate of at least two percent for this year, compared with the three percent for 1988," says the review.

"With private fixed investment increasing and the manufacturing sector more buoyant than it has been for many years, there will be a growing demand for prime office accommodation, especially in the Johannesburg and Cape Town markets."

Tenants might well be concerned about rent projections. But landlords, on the other hand, know that even at R30 a sq m gross, it is still not economically feasible to create quality office space with land and building costs at today's levels.

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Victims of the 'toothpaste' syndrome

Smith
5-12/4/29

DURBAN. - Beauty Msibi got up early on Tuesday and took the bus into Durban, where she was treated for sugar diabetes.

By the time she returned to Luganda, a semi-rural community founded in the mid-1850s near Marianhill, her home had been crushed by a bulldozer.

Msibi and others were evicted from their homes to make way for a planned Indian suburb with residences costing R40 000 each.

According to Clive Forster of the University of Natal's Built Environment Support Group (BESG), Msibi is a victim of the "toothpaste tube" syndrome.

"If you squeeze people out on one side, they will just pop up somewhere else," explains Forster. "We have to break away from this business of moving out everyone who's poor and the wrong colour."

Regina Hlongwane, 71, now sleeps in the bush after her parents' house, where she was born at the end of World War I, was demolished by the bulldozer last week.

And Paul Shezi, 56, says he has to "sleep like a rabbit" after his two stone homes, sheltering 25 people and possessions such as a TV, radio,

stove and furniture, were flattened before Christmas.

Despite the destruction of 36 homes, the 1 000-odd Lugandan residents are considered luckier than other "toothpaste tube" victims.

Bad publicity has forced Comhousing to suspend their R80-million House of Delegates development scheme for a month.

In the meantime, though, the Natal Provincial Administration (NPA) is hastily preparing resettlement plots on a nearby hill for approximately 1 000 people.

Both the House of Delegates (HoD) and NPA participation in the removals has come under attack.

The 1985 census tables show that half the Marianhill population, constituting 20 000 blacks, lived on 8,3% of the land, while the Indian third of the population had over half the land.

The white fraction (0,58%) had more than double the land allocated to blacks.

Trevor Bomhomme of the Durban Housing Action Committee (DHAC) has lambasted the HoD for "paying lip service to the Group Areas Act while implementing it to the hilt".

But Dr J N Reddy, the incoming head of the HoD's Minister's Council,

which carries with it the housing portfolio, has denied responsibility for the removals and said Comhousing "acted on their own initiative".

Reddy said he regretted moving people but while the Group Areas was law, it had to be obeyed.

Comhousing general manager Jan Joubert has admitted that the NPA's housing and welfare chief, Martin van Zyl, is among Comhousing's dozen directors, but says a conflict of interest has "never up to now" arisen.

Claiming Comhousing was losing R1 500 a day, Joubert said the firm could not "provide land/homes for the indigent, although it has gone out of its way to persuade the NPA to provide for the squatters".

Ken Ellis, a Comhousing security company "freelance", who called in dozens of police to circle his rented bulldozer, said the correct procedure of eviction notices and warnings had been followed.

Angry community leader Protas Madlala, from nearby St Wendolins, vowed to "sacrifice" their upgrading scheme by the same developers.

"We'll kick you out," he told Ellis.

PFP MP Roger Burrows said a backlash could force Comhousing "to wash their hands of black housing".

- DURBANNEWS

Free Settlement Act will not stop prosecutions

123

Heunis: no moratorium on Group Areas Act

By Day 12/9/87

MIKE ROBERTSON

CAPE TOWN — Government had no intention of placing a moratorium on Group Areas Act prosecutions, Constitutional Development Minister Chris Heunis said yesterday.



HEUNIS

He was responding in an interpolation to Peter Soal (DP Johannesburg North), who has said that with the possibility of many areas being declared open in terms of the Free Settlement Act, government should suspend all prosecutions. Government, Soal said, could not

make fine sounding statements about reform and still implement the Act. It could not sound "verlig" and still satisfy the CP.

Heunis said the Free Settlement Act would not affect the concept of separate residential areas for those people who wished to live among members of their own population group, but would protect the rights of those members of different population groups who chose to live together.

Groups had the right to freely form themselves and the state had the responsibility to protect them.

Just as an individual had the right to choose to associate with a group, he had the right to exercise his community life

outside any group. The Free Settlement Act contained provisions for this.

But, the acceptance of the Act and the withdrawal of the Group Areas Amendment Act did not mean government no longer believed those people who wanted their own residential areas did not need protection, Heunis said.

Government was prepared to take the initiative to find an acceptable way in which to define groups.

The result would be that communities would be formed that could not be accommodated by the present definition of groups.

Heunis said he believed that on this basis it would be possible to arrive at a definition of groups which eliminated discrimination, while protecting groups and recognising individual rights.

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TIME GROUP EXPECTING 75% HIKE IN TURNOVER

11021 (2/4/89) 123
BRUCE ANDERSON

TIME Holdings has positioned itself strongly in its markets and expects group turnover to the end of December this year to rise by 75% to R320m (R182m). Time chairman Colin Hibbert says in his review of the group's prospects for 1989.

Hibbert expects taxed profit to rise 58% to R12,7m (R8m), yielding earnings of 34c a share (26c).

On divisional prospects, Hibbert notes:

- Time Housing has entered the new financial year with an excellent order book and good prospects in several new markets. The division will complete some 5 000 homes nationwide in 1989.
- Time Developments enters the new year with current developments worth in excess of R150m. Good markets continue to exist for developments in specialised forms of retailing and for commercial developments for commercial clients.
- Executive education is well established in the SA training arena and management is confident of achieving its target with about 25% of combined earnings expected to be derived from the in-house training arm, Time Corporate Services.
- Time Projects has successfully made an entry into the low-cost black housing sector and the group intends to make its project management expertise increasingly available in this field.

Property values show slower rise in 1988

^{3 (10 am 2014) (8) (123)}
THE Richard Ellis Property Index shows the rise in property values slowed from 12% to 10% in 1988. Faster rental growths, however, are expected this year, says Richard Ellis/Dunlop Heywood director Ian Mitchell. Rental escalations under new leases are 10%-14%, because of inflation. — Sapa.

THURSDAY

123

HOUSE OF ASSEMBLY

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Permits for exporting abalone

181. Mr C W EGLIN asked the Minister of Environment Affairs:

- (1) Whether he will release the names and addresses of individuals and/or companies currently holding permits for the export of abalone; if not, why not; if so, what is the (a) name and (b) address of each such individual and/or company;
- (2) in respect of each such permit, (a) (i) when and (ii) for what mass of abalone was it issued and (b) what was the cost thereof to the individual or company;
- (3) whether any conditions are attached to any such permits; if so, what conditions in each case?

B418E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) No export permits for perlemoen are currently held by either individuals and/or companies. The applicable permits are only considered and issued on application for each consignment separately.

- (a) Fall away.
- (b) Fall away.
- (2) (a) (i) Fall away.
(ii) Fall away.
- (b) Fall away.
- (3) Fall away.

South Africa: money invested in property

194. Mr C W EGLIN asked the Minister of Finance:

123

(a) What total sum of money has been invested in property in South Africa by means of financial rand transactions since 12 September 1985 and (b) how much of this amount was in respect of (i) new and (ii) existing (aa) agricultural, (bb) commercial and (cc) residential property? B462E

The MINISTER OF FINANCE:

(a) The total amount approved for investment in property in South Africa through the medium of the financial rand mechanism since 12 September 1985, is R1,275 billion.

(b) (i) and (ii). No separate statistics are available in respect of new against existing properties.

The total amounts approved for investment in property through the medium of the financial rand mechanism during the period 12 September 1985 to 28 February 1989 are:

- (aa) Agricultural property — R 52 049 634
- (bb) Commercial property — R916 006 700
- (cc) Residential property — R306 673 073

Bushveld Regional Services Board: amount received

199. Mr D S PIENAAR asked the Minister of Finance:†

What amount in revenue was received by the Bushveld Regional Services Council during the latest specified period of six months for which figures are available, from persons and bodies falling under the (a) White, (b) Coloured, (c) Indian and (d) Black population group? B480E

The MINISTER OF FINANCE:

The registration of levy payers in the Bushveld regional services council area was finalised on 30 April 1988 and only new employers/enterprises are now required to register. The registration form RSC 1, generally used by regional services councils, makes no provision

Private sector aids town development

Political Staff

CAPE TOWN — The private sector was actively engaged in the provision of services and erection of houses in towns, the Department of Development Aid said yesterday.

It said in a report from April 1 1987 to December 31 1988: "No less than 54 town developers from the private sector were involved in the development services and/or the erection of dwellings on 13 557 sites."

The development of towns to establish stable communities and raise living standards remained a priority.

"After deliberation with the respective governments, land within and outside the self-governing territories was identified as urbanisation areas.

"The most significant development in this field is the involvement of the private sector in the whole urbanisation process."

The department said R144m had been made available for town development in the SA Development Trust.

Land purchased by the trust was also used for the development of towns to anticipate urbanisation.

"The policy is to help the greatest number of people to acquire a home of their own choice and to give the individual a greater share and responsibility in providing his own housing."

Loans for urban poor 'crucial'

123
By PETER DENNEHY

*Call
Trunk
2114189*

GIVING black newcomers to cities access to borrowed finance to upgrade their housing would be crucial to successful management of urbanisation, a housing expert warned yesterday.

Mr Sam van Coller, chief executive officer of the Urban Foundation, said at a conference on urban growth at the Cape Town Civic Centre that new institutions would have to be created for this.

"We know the extent to which affluent urban areas are dependent on borrowed finance for the provision of both infrastructure and housing," he said. "How much more critical will it be to arrange access to finance for poor urban communities to upgrade their environment?"

'Understandable mistrust'

Gaining the co-operation of communities would be a difficult task in view of squatter communities' understandable distrust of the authorities and because of divisions within the communities generated by competition within them for scarce resources.

The Urban Foundation was involved in establishing a small loans company to provide loans to people trying to house themselves. Loans would probably be made available to "credit clubs", Mr Van Coller said.

He estimated the annual black demand for conventional housing, costing R35 000 and upwards, to be 19 000 units a year countrywide.

The annual demand for shell houses costing R12 000 to R30 000 each was 46 000 a year. For incremental homes such as those on site and service schemes, costing between R2 000 and R12 000 each, the demand was 52 000 units per year.

Cities ready to bridge SA's apartheid gap

OUR major cities must be allowed to break down the structural impediments to economic growth and co-operation which are heritages of the past.

Johannesburg, Cape Town, Durban, Port Elizabeth and other metropolitan complexes must embark on a process of bringing together their constituent parts so that the city and townships can interact in a process of mutual development.

The financial and management separation of the different communities has to be bridged. The townships must be drawn back into the powerful resource-bases of the cities and the buying power and entrepreneurship of the township's informal sectors must be channelled back into the dominant urban economic environment.

This can be done without threatening the character of each and every uncertain and understandably anxious white suburb. Our cities are big enough to allow for a complexity of arrangements and of interactions.

We need not break down that which people legitimately seek to defend. We can, however, expand the sphere of open opportunity and non-racial co-existence so that it can attract more and more communities into its orbit.

Reunited with the city

What I am suggesting is a process in which we allow choice and market forces to expand. We must make it possible for a large and a growing number of open areas to impact decisively on the current situation. Thus, previously racially-exclusive areas can be united under the umbrella of a common and open metropolitan economy.

In this process the townships



THIS is an extract from an address at Natal University, Durban, by Mr JAN STEYN, chairman of the Urban Foundation, when he received an honorary doctorate on Saturday.

must be reunited with the central city, at least in terms of access to the cities' resource-base.

The Urban Foundation will be debating practical options with all relevant participants, including township community groups and city leaders.

Our cities are ready for this departure from our past. Indeed, some are anxious to embark on new ventures, and I refer by way of example to the Cape Town City Council, who recently agreed to the principle of an open city. There is a real need to concentrate our expertise and resources on this challenge in the months and years ahead.

If we succeed we can, I believe, more adequately address a second challenge. This is to offer an exciting alternative to sanctions to the outside world. When my colleagues and I are abroad, we are constantly asked what alternatives to sanctions we can offer.

Non-racial community

There is a large, rational middle-ground in Europe and America (as indeed there is among black South Africans) who realise just how dangerous and counter-productive sanctions can be.

These influences have been hamstrung by the lack of a clear

opportunity to do something positive to destroy the remnants of apartheid. Economic enablement (or empowerment) offers exciting opportunities in this respect. But there is another avenue that deserves to be explored.

If we can create a demonstrable and burgeoning non-racial community in our cities, with effective participation by all in city-wide decision-making, and a sharing of resources, there will be opportunities for external governments and private sector bodies to give the process material assistance and make developmental adjustments in the process.

Indeed, once this process is spelt out, they can use their influence to assist in promoting its successful emergence.

Whether the process is formal from the start, or informal in the early stages, whether it takes the form of official omission or positive involvement is less important than the creation of the impetus for its evolution in our social and economic fabric.

Let the new South Africa begin to grow in our economic and urban cores. Let us invite the suburbs — and eventually the rest of the country — to join in the opportunities for the growth, development and prosperity of such a process.

976-71m k3
24/4/89

123

Competition Board urged to probe rise in building costs

Star 24/4/89

123

By Tom Hood

CAPE TOWN.— Housebuilders want the Competition Board to act against suppliers of building materials whose regular price hikes are blamed for a 60 percent jump in house prices in the last three years.

"An additional 200 000 houses could have been built in the last decade if suppliers' price increases had been in line with those of other industries such as mining, which have been forced by difficult conditions to be more efficient year by year," the president of the South African Institute of Building, Mr Jannie Breed, said at the weekend.

He said he was "dead against" price controls but he believed the Competition Board should exert pressure on certain suppliers.

He quoted an 89 percent price hike for stock bricks in two years to R190 a thousand, while other bricks rose by from 50 to 60 percent.

Cement increased 49 percent in two years to R8,85 a pocket, while ready-mixed cement in the Cape Town area rose 72 percent to R139,95 a cubic metre.

Sanitary fittings for one bathroom soared by 83 percent in less than three years from R602 to R1 104.

Wage increases had been "moderate and were hard earned and well deserved," with rates for bricklayers on housing work, for example, rising only 17 percent.

"But there is absolutely no question any longer in the minds of most people in the construction industry that certain suppliers enjoy

near monopolistic, cartel-type conditions and that they have been able to increase prices year by year at inflationary rates."

Suppliers should consider that they are damaging the building industry, particularly the home-building industry.

The figures suggested that manufacturers of building products were either "taking us all for a ride or operating extremely inefficiently", added Mr Breed.

"The dissatisfaction of the industry has been aggravated by price rises of goods continuing even in times when, to remain competitive, home builders and general contractors had to operate at very low mark-ups and do all they could to hold prices down, often absorbing losses on many aspects of the work," he said.

answers are adequately given to the hon member.

Secondly, yes, I say that the policy of the party is a non-racial one, but it is a long-term policy.

Mr P T POOVALLINGAM: In the meantime you practise racism!

The MINISTER: As far as physical stature is concerned, the hon member for Reservoir Hills has answered the question himself.

Mr P T POOVALLINGAM: Which one?

The MINISTER: The question of physical stature. If the hon member has any idea about physical stature, he will know that it means that a child must not stand out amongst the rest of the class. One does not have a 10-year-old child in the same classroom as five-year-olds, because the 10-year-old will only stand out amongst them. That child will have a psychological effect on the rest of the children and the situation will also have a psychological effect on himself. It therefore has to do with both age and physical appearance.

Mr P T POOVALLINGAM: Mr Chairman, if a six year old child, regardless of race, caste, colour or creed happens to be made by God six inches taller than the average height of the other six year old children in the class, will that child be discriminated against because God made him six inches taller?

The MINISTER: Mr Chairman, surely common sense would dictate in such an instance that that child is of the normal age but is abnormally built as far as body stature is concerned.

Mr P T POOVALLINGAM: We are talking about age and not physical stature.

The CHAIRMAN OF THE HOUSE: Order! We now come to question no 2 on the Order Paper. I call upon the hon the Minister of Housing to rise.

Mr P I DEVAN: Mr Chairman, is the time allocated for question 1 . . .

HOUSE OF DELEGATES

The CHAIRMAN OF THE HOUSE: We have already completed question 1. We now come to question 2.

Mr S ABRAM: Mr Chairman, on a point of order: Hon members are permitted to rise five times.

The CHAIRMAN OF THE HOUSE: Order! I am aware of the rules but the hon member for Cavendish did not rise in time when I put question 2. [Interjections.]

Mr S ABRAM: Cover-up!

Building plots in Arena Park

*2. Mr P I DEVAN asked the Minister of Housing:

- (1) Whether the Administration: House of Delegates has taken over any building plots in Arena Pak from the Durban City Council; if so, when;
- (2) whether these plots have been serviced; if not, why not; if so, when;
- (3) whether an announcement has been made with regard to the allocation of these plots; if so, (a) when and (b) by what means;
- (4) whether there has been a delay in the allocation of these plots to eligible applicants; if so, what are the reasons for this delay?

D79E

The MINISTER OF HOUSING:

- (1) Yes, 17 June 1988; after lengthy negotiations.
- (2) Yes, February 1985 by the Durban Corporation;
- (3) Yes
 - (a) 11 June 1988 in anticipation of transfer being effected as in (1).
 - (b) By the former Minister of Housing, Mr A. Rajbansi, at a meeting of persons whose applications for the allocation of sites for development had been approved by the Housing Development Board.

(4) Yes. Subsequent to the Board approval referred to above, doubts arose as to the accuracy of the surveying of certain of the erven as well as, consequential upon the James Commission, the bona fides and technical/financial standing of a number of applicants. Investigations into these aspects have proved a time consuming exercise which is only now drawing to a close. Consequently, final agreements between the Housing Development Board and the developers have, to date, not been concluded.

Mr P I DEVAN: Mr Chairman, arising out of the reply of the hon the Minister: Once the plots have been serviced, why can they not be allocated to those on the waiting list? I am now referring to the plots, because considerable delay and extremely high escalating costs are the results of the prolonged delay. That is my first question.

Secondly, how does the hon the Minister intend to overcome long and unnecessary delays in the construction of houses for applicants on the waiting list, which is growing by the day? I am very seriously concerned because I am involved and I know how the community feels. Excellent land has been made available during the past five years but from what the hon the Minister indicated about certain technical flaws etcetera, the House of Delegates, as well as its administration, has unfortunately not delivered the goods. I am not passing an indictment on the hon the Minister because he has just assumed the function of a Minister in this regard, but if this matter is not put right within as short a time as possible it is a very serious indictment on this House.

The MINISTER: Mr Chairman, in the first part of the answer I have explained what has caused the delay but I agree with the hon member that those plots should be made available to people on the waiting list as soon as possible. However, it is my intention to comply with certain formalities and hopefully that will also be the decision of the Housing Development Board.

We all agree with regard to the second question. It is because we are concerned that housing

schemes must get off the ground as soon as possible that we had a meeting only on Saturday to see what can be done to expedite matters in Verulam and Stanger.

The CHAIRMAN OF THE HOUSE: Order! The time for questions has now expired. The reply to the remaining questions will be taken up in the official records.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

TASA: withdrawal from educational consultative committees

*3. Mr K CHETTY asked the Minister of Education and Culture:

- (1) Whether the Teachers' Association of South Africa recently withdrew from certain educational consultative committees; if so, what are the relevant details;
- (2) whether he has taken and/or intends taking any steps in respect of this association as a result of this withdrawal; if not, why not; if so, (a) what steps and (b) when;
- (3) whether he will make a statement on the matter?

D81E

The MINISTER OF EDUCATION AND CULTURE:

- (1) Yes. The Teachers' Association of South Africa has withdrawn from the South African Council of Education, the Research Committee for Education Structures both of the Department of National Education and from all Subject Committees of the Department of Education and Culture, House of Delegates.

(2) Yes. Having regard to the fact that recognition of the Association is statutorily specifically provided for in Section 30 of the Indians

HOUSE OF DELEGATES

Members of the Force who investigate terror-related crimes, perform an extremely important and dangerous task. It is not in their interest or the interest of the public to make known their identity. Such a step will drastically increase the risk to their occupation, their lives and the lives of their families and impede the performance of their task considerably.

However, the attorneys concerned are at liberty to contact the Deputy Chief of the Detective Branch, Major-General Joubert, who has been specially appointed to co-ordinate the investigation.

*14. Mr P G SOAL—Foreign Affairs. [Reply standing over.]

*15. Mr P G SOAL—Foreign Affairs. [Reply standing over.]

Lingeletu West: election

*16. Mr J J WALSH asked the Minister of Constitutional Development and Planning:

Whether he received any representations regarding the election held in Lingeletu West in October 1988; if so, (a) from whom and (b) what was (i) the purport of and (ii) his response to each such representation? B741E

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING (Reply laid upon the Table with leave of House):

This matter vests in the Administrator of the Cape Province and he has furnished the following reply:

Yes.

(a) Mr Thomas Ngwane
Mr Prince Gobingca
Mr I Gwilitza

(b) (i) A request to discuss inter alia the general municipal election was received on 27 June 1988 from Mr Ngwane prior to the elections and referred to the Administrator.

Mr Gobingca wrote to the Administrator on 31 October 1988 and queried the demarcation of Lingeletu West as one ward for the recent election.

Mr Gwilitza wrote to the Minister of

Foreign Affairs (letter undated) as well as the Minister of National Education (letter dated 23 March 1989) and his letters were referred to the Administrator via the Department of Development Planning. It touches on various subjects but mainly queries the demarcation of Lingeletu West as one ward for the recent election.

(ii) With reference to the query of Mr Ngwane he and other group leaders/candidates in Lingeletu West (Khayelitsha) were supplied with all relevant information regarding the election.

Mr Gobingca was informed that it was considered desirable to hold the election in Lingeletu West as a newly established local authority simultaneously with the general municipal elections on 26 October 1988 and that it was not possible to demarcate the area into wards in the time available.

Mr Gwilitza's enquiries were only just received and a reply will be forwarded to him shortly. As far as his query regarding Lingeletu West as one ward is concerned the reaction is the same as was conveyed to Mr Gobingca and Mr Gwilitza were part of a group of leaders from the area who had a discussion with the Executive Director: Community Services prior to the election where this matter was explained and accepted as such by those present.

As the election in Lingeletu West has now been finalised the area can only be demarcated into wards at the next general election or at a by-election of all the members of the Town Committee.

Natal/KwaZulu Planning Council: implementation of recommendations

*17. Mr R M BURROWS asked the Minister of Education and Development Aid:

(1) Whether any progress has been made in the implementation of the recommendations of the Natal/KwaZulu Planning

Council on squatters and informal settlements in Natal; if not, why not; if so, (a) what action has been taken in this regard and (b) when was it taken;

(2) whether the R1,2 billion proposed by the Planning Council for development has been made available; if not, why not; if so, when was it made available;

(3) whether he will make a statement on the matter? B742E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1) Yes.

(a) Projects for the provision of sites for emergency settlement in the Inanda area as well as at Dassenhoek and Edendale have been identified for priority implementation and 10 000 sites will become available.

(b) During the period July 1988 up to the end of March 1989.

(2) No, the proposals provide for the spending of this amount over a period of five years and R87,5 million has been made available for the 1989/90 financial year for projects for which the South African Development Trust and KwaZulu are responsible. The total cost must also partly be covered by way of loans to KwaZulu by the Development Bank of Southern Africa.

(3) No.

Mr R M BURROWS: Mr Chairman, arising out of the hon the Minister's reply, does the hon the Minister's department, in connection with the Planning Council's recommendations, negotiate with or come into contact with the Natal Provincial Administration which appears to have no knowledge of the details that have just been supplied?

The MINISTER: Mr Chairman, there is a co-ordinating committee appointed by the Government consisting of representatives of my department, the Department of Constitutional Development and Planning, the Natal Provincial Administration, the KwaZulu Government and some other State institutions as well. The Natal Provincial Administration is a member of that co-ordinating committee.

Black housing: loan finance
*18. Mr R M BURROWS asked the Minister of Constitutional Development and Planning:

(1) Whether the various provincial administrations made application to the National Housing Commission for loan finance for Black housing in the 1989-90 financial year; if not, why not; if so, what amount was (a) applied for and (b) granted;

(2) whether he will make a statement on the matter? B743E

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) Applications are normally submitted by local authorities but where a local authority has not yet been established loans emanate from the respective provincial governments. Loan applications are not necessarily submitted for financing during a specific financial year.

(a) Applications for the financing of infrastructural development in respect of townships which have thus far been approved by the National Housing Commission awaiting financing, amount to R1 223 102 608,00 (one thousand two hundred twenty three million, 102 thousand 608 rand).

(b) An amount of R416 million is available in the National Housing Fund to finance ongoing projects as well as a number of new projects which have not as yet been commenced with, on a priority basis.

(2) No.

Apple industry: use of certain substance

*19. Mr R J LORIMER asked the Minister of Agriculture:

(1) Whether the use of a certain substance, the name of which has been furnished to the Minister's Department for the purpose of his reply, is permitted in the apple industry in South Africa; if so, (a) what is the name of this substance and (b) for what purpose is it being used;

Town planners seen as a key to urbanisation



Christo Kenneberg

Town planners have a key role to play in an orderly urbanisation scenario, says Christo Kenneberg, newly elected president of the SA Institute of Town & Regional Planners (SAITRP).

"Town planners are in a position to take a holistic and objective view of the urbanisation process.

"By virtue of their training and experience, they are able to focus on a wide spectrum of issues and understand the inter-relationships between the physical, sociological, economic and environmental factors."

Town planners are also trained to take a pragmatic approach to issues that are often politically charged.

Their role includes facilitating the development of four new cities the size of Soweto in the PWV area by the year 2000 and at least 10 new cities the size of Mitchell's Plain or Khayelitsha in the Western Cape by 2010.

Developments in the Western Cape after the scrapping of influx control highlights the need to incorporate the informal sector in the planning of towns and cities.

He says: "It is common cause that unemployment in South Africa is extremely high and that the economy has shown an increasing inability to provide employment opportunities for the growing labour force in the formal sector."

OPPORTUNITIES

"The informal sector, on the other hand, has demonstrated that low-key income-generating opportunities can be created and is evident from the growing number of grassroots entrepreneurs in this sector."

Town planners are exploring new ways to stimulate employment and provide affordable housing.

Informal trading areas, relaxation of zoning controls, core housing and site and service schemes are a few examples.

He urges the public to become more actively involved in the planning of the urban environment, saying it is not widely known that the man-in-the-street has a legal right to comment on proposed projects that affect him.

SOFTWARE CONNECTION

From 10 am to 12 noon

Turbo Mouse

Mouse, pad, software
Serial Bus
WAS 149 169
Special 110 125

NEWSMASTER II Desk Top Publishing

Columns, fonts
WAS R299
Special R199

From 12 noon to 2 pm

Multimate Advantage II

Wordprocessor, editing, formatting dictionary, mail merge

WAS R1 590
Special R945

Draw Applause

Business and graphic art

WAS R1 525
Special R945

BOOKS

From 2 pm to 4 pm

Using Harvard Graphics

Basics, fundamentals and advances

WAS R89,95
Special R65,95

Using Multimate Advantage

Special features, tutorial libraries

WAS R69,95
Special R55,95

From 4 pm to 6 pm

Children's Education programs & games

Call to relax housing standards

123

23/4/89

The time has come for local authorities to accept far more rudimentary forms of housing in selected urban areas, says Mr Jannie Breed, president, SA Institute of Building.

"We are continually being asked by the authorities to try to produce first-world type houses for long-term financing at R15 000 to R20 000 or even less. With building costs rising 1,25 percent a month, it is difficult to do this.

"Many of the institute's senior members feel that the solution is to allow third-world type deregulated houses which do not have to comply with the usual local authority regulations."

He says that in the greater Pretoria area, a 45 sq m, four-bedroom house could be built with concrete blocks and a tiled roof for R12 000, provided some of the more stringent regulations were not enforced.

It is time that the sophisticated services to such houses, often costing R7 000 to R9 000 a plot, were scrapped.

"We are facing a population explosion. In the circumstances, I believe that if potable water is laid on, electricity, water-borne sewage systems and stormwater drains are not essential.

"Sewage can be efficiently handled by daily removal of buckets or by chemically treating pit latrines regularly.

"What is the point of insisting on the maintenance of standards when such standards merely result in more and more people having no home at all?", he asks.

Programs & Services

star 23/4/81
123

Demand for homes in retirement villages increasing

There is a strong increase in demand for retirement village homes, says Camdon's Nationwide, which operates its own specialised retirement village division.

In an analysis of the trend, it has found that buyers who previously held back for one reason or another have decided to make the move, largely because of pending legislation which will push up prices.

The legislation is intended to protect buyers by forcing developers to provide large financial guarantees. As a result, "holding costs" are increased and the prices are commensurately higher, says managing director Mr Scott McRae.

"It is impossible to calculate an absolute percentage by which the costs will increase. Each development will be affected differently. But as a rule of

thumb, we think average prices will go up 10 to 20 percent because of the additional financing costs involved.

"The market is aware of the pending legislation and fence-sitters are encouraged to take a positive decision and buy before prices escalate."

There are other factors however. Retirement villages have had a mixed reaction but today there is a greater awareness of the benefits of belonging to such communities. They are seen as not just homes for the aged but as places that offer many opportunities for social interaction, leisure and sports.

It is possible to simply lock up and go on holiday, knowing that the community is basically a neighbourhood watch in its own right. This is one of the reasons Mr McRae gives for the upswing in the market.

Extent of housing crisis exaggerated, says PCI

The housing crisis is not as hopeless as many have said it is, says Dean Norton, executive director, Portland Cement Institute (PCI).

"We should accept that it took centuries for European countries to acquire sufficient housing stock. Shack towns, which are basically a form of affordable housing, are destined to be used in South Africa for a long time."

But there are encouraging developments on the local scene, which should be recognised, he says.

The innovative and evolutionary nature of housing in SA is one example.

Changes are taking place over a wide spectrum — provision of land with or without security of tenure; site and service; self-help core and

shell housing; and subsidisation for upgrading or incremental housing.

In general, there is a new realistic approach to minimum standards applicable to housing requirements.

He says thousands of tons of cement are being used for incremental building development.

"Drive along any road in the black cities or homelands and there is evidence of build-as-you-can-afford. Stacks of concrete bricks and blocks can be seen everywhere.

He says it is wrong to blame politics as a barrier to the provision of housing.

Political action is universal and adequate housing is more strongly related to the rate of population growth which, in turn, is directly

Property &
Construction

STAN KENNEDY



dependent on standards of education, urbanisation and prosperity.

One of the biggest myths about the local housing situation is that a serious shortage exists.

"What there is is a shortage of money to buy houses and food or to provide free or subsidised housing and food.

"This statement must obviously be qualified in the local context where some regulatory restraints exist. But, in general, people are homeless mainly because of the lack of money."

R4bn invested in home improvements

B 1 Day 26/4/89

NEW research conducted in the building industry contradicted recent home improvement figures supplied by Central Statistical Service, suggesting the official figures "severely under-read" the industry.

Business Marketing Intelligence (BMI), a member of the Information Transfer Group, SA's largest marketing research group, reported that in 1988, more than R4bn was invested in home additions and extensions, representing 50% of the total investment in housing during 1988.

CSS reports show that while R2,09bn was budgeted for additions and alterations, only R1bn was spent on completed alterations during the same period. This compared with the total R2,3bn spent on completed residential buildings.

BMI conducted its study among 2 000 manufacturers, builders' merchants, specifiers, contractors and local authorities. It covered 150 building products and reflected short- and long-term prospects of the industry.

(123) EDWARD WEST *(24)*

BMI building studies director Jan Strauss said the CSS's under-estimation of the home improvements market had led building material suppliers to under-estimate the demand for home improvements.

The CSS only reflected home improvements for which municipal approval had been requested, he said.

The CSS ignored the increase in home improvements undertaken on the owner/builder basis where plans were usually not submitted.

Approved plans

Official CSS statistics showed non-residential building activity had a much higher proportion of additions than residential building activity.

This did not reflect the real situation, as non-residential alterations were usually executed with approved plans and were therefore more likely to be included in official statistics, Strauss said.

HOME IMPROVEMENTS

SA people have been extending themselves

123

~~SA~~

Sowetan
27/4/89

SOUTH Africans spend more on extensions to their homes than on new houses, according to a study conducted last year by the Business and Marketing Intelligence.

According to a report released recently, more than R4-billion was invested in home additions and improvements during 1988. The figure represents 50 percent of the total amount invested during that year.

It also exceeds the amount of money spent on providing low-cost housing, according to the

report entitled: "The Prospects for Building Materials and Fittings in South Africa between 1988 and 1993."

The study was conducted among a comprehensive sample of 2000 manufacturers, builders' merchants, specifiers, contractors and local authorities and covered more than 150 building products.

The report reflects both short- and long-term prospects of the building industry.

Mr Jan Strauss, BMI's director of building studies, said the potential of the home improve-

ments market by building materials suppliers had been under-estimated due to a severe under-reading of the market by the Central Statistics Services (CSS).

"Expenditure on alterations and extensions to residential buildings definitely exceeds expenditure on non-residential property," Mr Strauss said.

He said almost half of the home improvements expenditure was spent on economic housing. More than one quarter was spent on luxury houses while the balance was used to improve low-cost houses.

HOME SALES

123 FMAIL
28/4/89.

Confounding the experts

The bubble refuses to burst. The spending spree on houses is confounding experts by continuing almost unabated — despite the high cost of bond finance.

Mortgage rates have been hiked by about 33% in the past year, adding about R500 a month to the instalments paid on a R100 000 bond taken out over 25 years. Logic suggests this should have been enough to put the squeeze on home buying. But it wasn't.

According to banks, building societies and estate agents, the run on houses has slowed very little. It is still a seller's market with a real shortage of good, realistically priced housing stock.

Nevertheless, house prices are still lagging behind building costs and this is depressing the sale of new properties (*Property* April 14).

Property economist Neville Berkowitz says: "Surprisingly, the market is buoyant. Because I couldn't believe it, I visited show houses and saw the volumes of people passing through. Instead of the market softening, the shortage of quality stock seems to be the biggest problem.

"I thought interest rates would have bitten, but I suppose people are saying that with inflation running as it is, their money has little value, so they might as well invest it in property."

Inflation is obviously one of the factors underpinning the market. The other is that confidence levels are far higher than they were when interest rates were last at these levels. The economy grew by 3% last year and, for the first time in a while, there is a positive influx of new immigrants.

However, it seems rising bond repayments are taking their toll among existing owners. Berkowitz says rumours are beginning to circulate that foreclosures are reaching worrying proportions.

Standard Bank GM, home loans, Terry Powell, disagrees: "While the bank is more active in the arrears arena than it was last year, repossessions certainly haven't reached alarming proportions.

"We do our best to help people in difficulties. We emphasise that we aren't just fair-weather bankers. If a person has a problem, we beg them to come and talk to us. It is where people ignore all requests that we have to move in on them."

On applications for new bonds, he says demand has clearly dropped against last year, but the bank is still receiving a steady flow of business — well in excess of R100m/month (R120m for March) compared with R130m/month-R140m/month this time last year. Most interest seems to be focused on the upper-income bracket and on

black housing.

"People react immediately to increased interest rates. But it's like hikes in many things, those who need houses will buy them. They will just set their sights a little lower," says Powell.

Standard's position is reinforced by Allied which claims most banks and building societies are experiencing a strong stream of bond applications. However, Allied maintains that, if rates continue, hardening demand could taper off.

An Allied spokesman adds that although there has been no dramatic rise in the number of repossessions, it, like other institutions, has made concessions to help tide property owners over difficult financial times. These include fixed-rate bonds over periods of one to five years and holding instalments at levels which cover interest for a specified period.

Estate agents, like the institutions, are bullish about the market. De Huizemark MD, Piet Hamman, says: "I'm amazed. After the Christmas break I expected a tough time. I assumed housing demand would drop drastically, but it hasn't. The need for houses still far exceeds supply. March was a record month for us. We sold R45m worth of property on the Witwatersrand. And we could have made that R90m if we'd had the stock." He adds that, generally, the only time it is difficult to sell a home is when the owner holds out for an unrealistic price.

Basil Elk of Basil Elk Estates concurs. Demand at the upper end of the market is particularly strong. "However, at the low end, buyers looking for houses below R80 000 are feeling the pinch. To compensate for high interest rates, they are simply lowering their sights by a few thousand rand.

"In theory, house prices should have moved downwards or sideways as interest rates rose, but they haven't. There was a brief sideways movement before they resumed climbing. However, I believe houses are still, in value-for-money terms, among the cheapest capital commodities on the market. Prices aren't yet anywhere near where they should be, particularly in relation to building costs." ■

Surcharges mean that most households are under-insured

1230

SAW 29/4/87

FINANCE STAFF

MANY, if not the majority, of South African households are probably under-insured by perhaps as much as 25 percent, largely as a result of the impact of the recently introduced import surcharge on the cost of many household items, says Mr J F (Mac) McLachlan, senior general manager insurance of Santam Insurance.

Claims

Writing in "Focus", the company's newsletter for brokers and agents, he says that insurance claims received early in 1989 show quite clearly that the waves set up by the import surcharge last year are now showing up in increased insurance claims.

"One of the most obvious examples is that of second-hand imported cars. Prices have moved sharply higher in spite of the fact that these vehicles are not directly affected by the surcharge.

"The reason is that the surcharge has pushed the prices of new imported models so high that second-hand imported cars have become attractive alternatives," said Mr McLachlan.

"Apart from the vehicles, there is the matter of spare parts. Many of these are imported and so attract the surcharge meaning that repairs will cost considerably more in 1989 than in 1988."

Santam's experience in recent years has been that the average amount per motor insurance claim (theft, accident, damage etc) in 1987 was 17 percent higher than in 1986 and in 1988 it jumped 20,1 percent above the 1987 fig-

ure. During the course of 1989 it is feared that the average amount per motor claim could rise by 25 percent. In money terms this means the claim of R1 000 in 1986 became a claim of R1 170 in 1987, R1 405 in 1988 and this year it is likely to be R1 755.

Mr McLachlan stressed that it was not only motor vehicles that were involved. Of equal importance were the general possessions of a household since the surcharge had pushed up the prices of a vast variety of everyday goods such as imported TV sets, video recorders, radios, audio equipment, compact discs, jewellery, photographic equipment and many types of sporting equipment — the favourite of burglars.

"We expect a fairly sharp increase in the average amount per claim in respect of burglary and theft. In 1987 the average amount per burglary claim rose by 13,5 percent above the 1986 level and in 1988 it rose a more modest 9 percent.

Sharp rise

"I can't see a similarly small increase this year and we must expect a relatively sharp rise in the average amount of claims — the trend is already there and I expect it to become worse as the year progresses," added Mr McLachlan.

He pointed out that the majority of Santam policies apply the "new for old" principle and insurance values should, therefore, be based on replacement value — that is what the item would cost new today, and not what it cost five years ago.

970-144 29/1/87
123

Govt's black housing sales 'unsuccessful'

THE government's great housing sale to black people did not have much success last year — only 150 black people, all in the Transvaal, bought property under freehold title last year, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said yeatsredya in Parliament in reply to a question by Mr Jasper Walsh (DP Pinelands).

However, 34 688 applications for 99-year leases were approved last year.

Mr Heunis said 145 properties in Johannesburg and five in Witbank were sold under freehold title to black people in 1988.

In the Cape, 9 867 properties were leased under 99-year title, 6 031 of which were in the Eastern Cape, 2 606 in the Western Cape and 1 230 in the Northern Cape.

123 CP news 30/4/89



Josias Legodi attributes success to good relations with prospective home-owners.

A pioneer of home ownership for blacks

It took Legodi seven years to be top salesman

CP Reporter

IN the 10 years during which Schachat Home-builders has focused its attention on the black sector of the homes market, Josias Legodi has pioneered the way.

He came in at the formative stage of the black market thrust and in the short period of only seven years moved from a clerical position to that of top Schachat sales performer.

His experience and knowledge of the home-building business, as well as a natural way with people complemented by qualifications in communication, combined to make Legodi the leading sales consultant for the past year. Other contributing elements are his enthusiastic personality as well as the inspiration of other Schachat members.

He attributes his success to the lists he keeps of contacts made while he was at school and university, as well as his concern with developing an understanding relationship between himself and potential home-owners.

Before joining Everest Construction, where his interest in the property and housing industry began, he studied law for two years at the University of Fort Hare in Ciskei, where he met many of the people

now in managerial or similar positions with whom he deals.

His ability in dealing with people is as important as initial contact. Says Legodi: "Property ownership is often a foreign concept to potential first-time home-owners and I always take time to explain, listen and talk to prospective buyers.

"It is crucial to understand and empathise with the people and I am available at all hours to spend time with customers so that they can air any problems they may experience.

"Because of the importance of a good relationship, I completed courses in marketing and interpersonal skills and am registered with the South African Estate Agents Board.

"When first meeting a potential home-owner, I explain property concepts such as the difference between leasehold and freehold, so that the client becomes accustomed to the various terms.

"Our 10-year guarantee is extremely important to prospective home-owners as they are always concerned with building problems which may occur and with being let down by the construction company. A guarantee provided by a company with a reputable name such as ours gives the necessary reassurance.

"The government subsidy is also of assistance in helping first-time home-owners to possess their own home, as most customers earn salaries below what is required to cover the cost of a house. However, the minimum requirements are still too high for the average person," says Legodi.

Once the prospective home-buyer is comfortable with all the aspects involved in buying a house, Legodi shows them actual houses to attract and motivate them. He sells three-bedroomed houses ranging from R55 000 to R90 000 in Dobsonville in the west

and Tembisa in the east.

He believes that following up on sales and keeping contact with customers is of great importance in maintaining a reputation as a reliable consultant.

Recurring problems experienced are location, as the major growth areas are far away from towns, and insufficient space in houses. However, home-owners are generally very satisfied once they do decide to buy and move into their own homes.

Legodi, who owns his own home in Diepkloof, has sold approximately 180 houses at an average cost of R55 000 each in the past year. He is confident that his success in selling will continue, and feels that the trend in the black market sector towards home-ownership will intensify.

He sees "grey areas" as a major development in the housing market, and welcomes them, particularly as far as his position is concerned. However, people have to earn substantial sums to be able to afford property in one of these areas, and only a tiny percentage can afford it.

Legodi's success and confidence are conveyed to the clients and they in turn place their trust in him.

Not the time to buy

Now is not the time for the man-in-the-street to buy a house for investment, says Mr Erwin Rode, editor of *Rode's Report on the SA Property Market*.

Writing in the April issue of *Forum*, he says renting until 1990 would be a better investment decision.

"The corollary of this is that it is a propitious time to sell if one were planning to dispose of this asset anyway."

He says house prices may have peaked towards the end of last year and are now either on a plateau or are declining.

A 13 to 15 percent growth in house prices this year predicted by some market analysts is highly unlikely, he says.

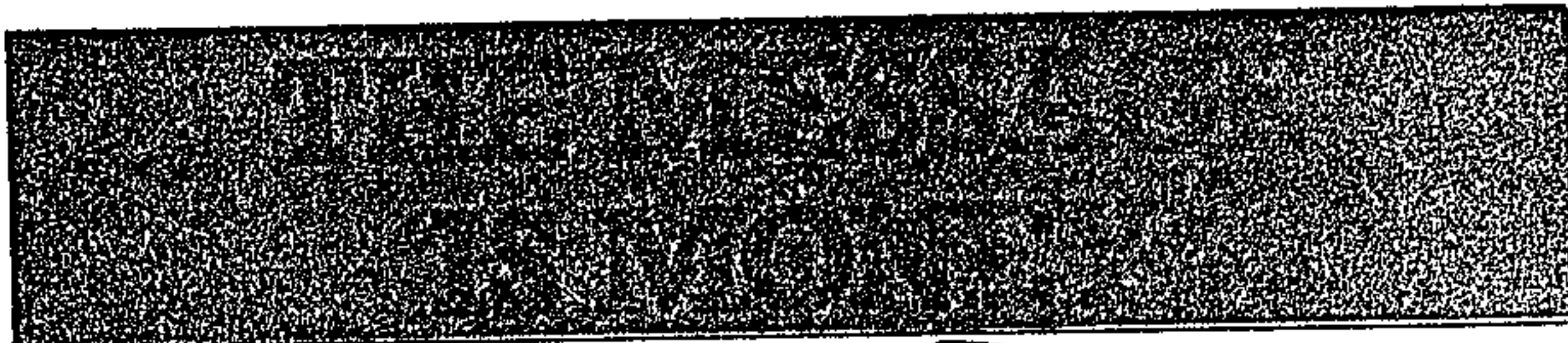
"If house prices could only notch up a 12 percent increase in 1988, which was the peak of the business cycle, it is hard

to see how prices can improve on this performance in 1989 — a year when the economy is set to decelerate."

The latest hike of interest rates, he says, makes his forecast even more probable.

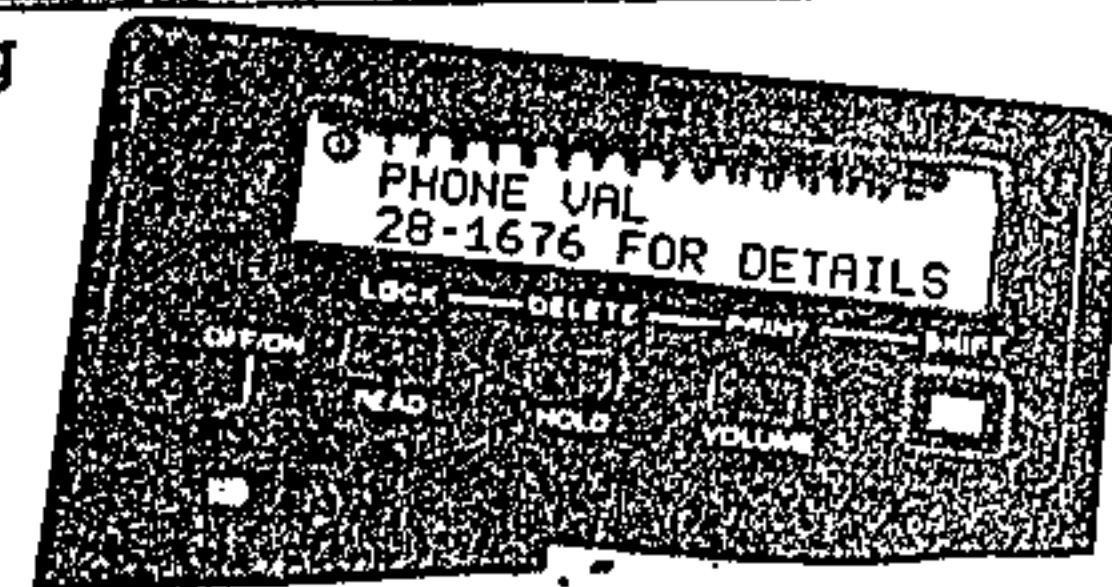
However, the influence of interest rates should not be over-estimated. His research shows interest rates do not influence house prices — as opposed to the number of house sales — as seriously as is popularly thought.

"The reason is that rising interest rates are a symptom of an economy that is over-heating. During such a phase of the business cycle, improving disposable incomes tend partially to offset the negative effect of rising mortgage rates on affordability."



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Housing hold-tips

SA Institute of Building president Jannie Breed says local authorities in SA must start to accept far more rudimentary forms of housing in selected urban areas.

"We are continually being asked by the authorities to produce First World type houses suitable for long-term financing at prices of R15 000 or even less. With building costs rising at 1,25% a month, it is increasingly difficult to do this," says Breed. "The solution is to allow houses which do not have to comply with the usual local authority regulations."

Regulations

Breed says that in the greater Pretoria area, a 45m² four-roomed house could be built with concrete blocks and a tiled roof for R12 000, provided some stringent regulations were not enforced.

In particular, he says, it is time to scrap sophisticated services, often costing between R7 000 and R9 000 per plot.

"If potable water is laid on, electricity, water-borne sewerage systems and storm-water drains are not essential. Sewage can be efficiently dealt with by daily removal of buckets or by chemically treating pit latrines regularly," says Breed. He also calls on government to subsidise bonds of the lower level worker.

Top level talks on home loan scheme

5/10am
41-5187 GRETA STEYN (23)

SENIOR representatives of banks and building societies meet Reserve Bank officials today to discuss home loans, bankers said yesterday.

They expected the main topic of discussion to be government's financial assistance to home-owners at the lower end of the market. Details of the extended subsidy scheme, which was announced on Friday, would be hammered out.

Government has set aside R50m to grant temporary assistance to lower income home-owners who do not receive other subsidies, as well as improving the existing scheme for first-time home-owners.

Meanwhile, all the banks are expected to announce increases in their mortgage rates soon. The announcements have been put on hold until after today's meeting, but First National and Trust are expected to announce a one percentage point increase to 20% today.

The building societies are not expected to announce increases in home loan rates immediately, but Sapa reports the Allied said it would wait a week before taking a decision.

Star 9/5/89

123

Spectre of home repossessions looms

By Sven Lünsche

The spectre of home repossessions and the collapse of small businesses is looming in the wake of the rise in interest rates yesterday.

All major banks increased their prime rate to 20 percent and many financial institutions are set to raise mortgage rates to similar levels.

Home-owners will be hard hit because their repayment rates have soared over the past 16 months and many are already defaulting.

Payments on a R50 000 bond, which were R568 a month early last year when the interest rate was 12,5 percent, will jump to R800.

Repossessions

Building societies at present charge 18,75 percent on mortgage bonds, with the exception of Saambou, which charges 19 percent. Of the major banks, First National, Trust and Volkskas quote 19 percent. The rest charge 18,75 percent.

Banks and building societies said yesterday there had already been numerous repossessions of homes and the situation could worsen with higher rates.

The institutions are meeting with the Reserve Bank today in order to discuss the subsidy to home-owners at the lower end of the market.

But not only home-owners are struggling.

Similar to the situation in 1984-85, when interest rates hit 25 percent, many small businesses are unable to meet repayments on loans and are going into liquidation.

Recent figures from Central Statistical Services confirm that liquidations and insolvencies are on the rise. Many economists fear that the situation could deteriorate drastically if interest rates rise further.

● See Pages 11 and 15.

Bankers in home loan talks

Own Correspondent

JOHANNESBURG. — Senior representatives of banks and building societies meet Reserve Bank officials today to discuss home loans, bankers said yesterday.

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Home-owners' roofs are crashing in

123

S-4 9/15/89

What is the biggest investment most people ever make, hits hardest of all the increases imposed in the latest austerity measures, and is inescapable?
DAWN BARKHUIZEN
provides the answer.

More and more home-owners are defaulting on bond repayments and there has been an increase in the number of homes being repossessed, banks and building societies disclosed yesterday.

And in another development yesterday, consumer organisations appealed to financial institutions for greater leniency towards home-owners and called on the State to stabilise the situation.

This comes as banks and building societies are poised to increase their bond rates in the wake of Friday's package of austerity measures.

The measures announced simultaneously by the Ministry of Finance and the Reserve Bank covered a wide range of curbs most prominent among them a one percentage point increase in the Bank rate, which is almost inevitably followed by an increase in prime and bond rates.

Imminent

Most major banks and building societies now charge either 18,75 or 19 percent on their bonds. While building societies are able to raise their rates only from July 1, banks can lift their rates to 19,75 or 20 percent immediately.

And most have indicated that they will do so this week. Monthly repayments for many home-owners soared to levels substantially higher than when the bond rate was quoted at 12,5 percent only 16 months ago.

The SA Consumer Council chairman, Professor Tobie van Rijn, yesterday appealed to financial institutions to be as lenient as possible, saying home-owners should not have to lose their houses through circumstances beyond their control.

He also cautioned about undue optimism as there was "absolutely nothing to indicate the situation would improve." "Prices are running away. The situation is dire — the consumer is dramatically overextended and just cannot afford their bonds any more."

"An increase in bond rates hits you far harder than when the price of cigarettes goes up. It is the biggest investment that most people make and an enormous number of people are being hit. The State needs to take immediate action, to stabilise the bond rate and make provision for subsidy."

The Housewife's League president, Mrs. Lynne Morris, said that increasing numbers of women were being forced into the workplace, many of them placing month-old babies in creches.

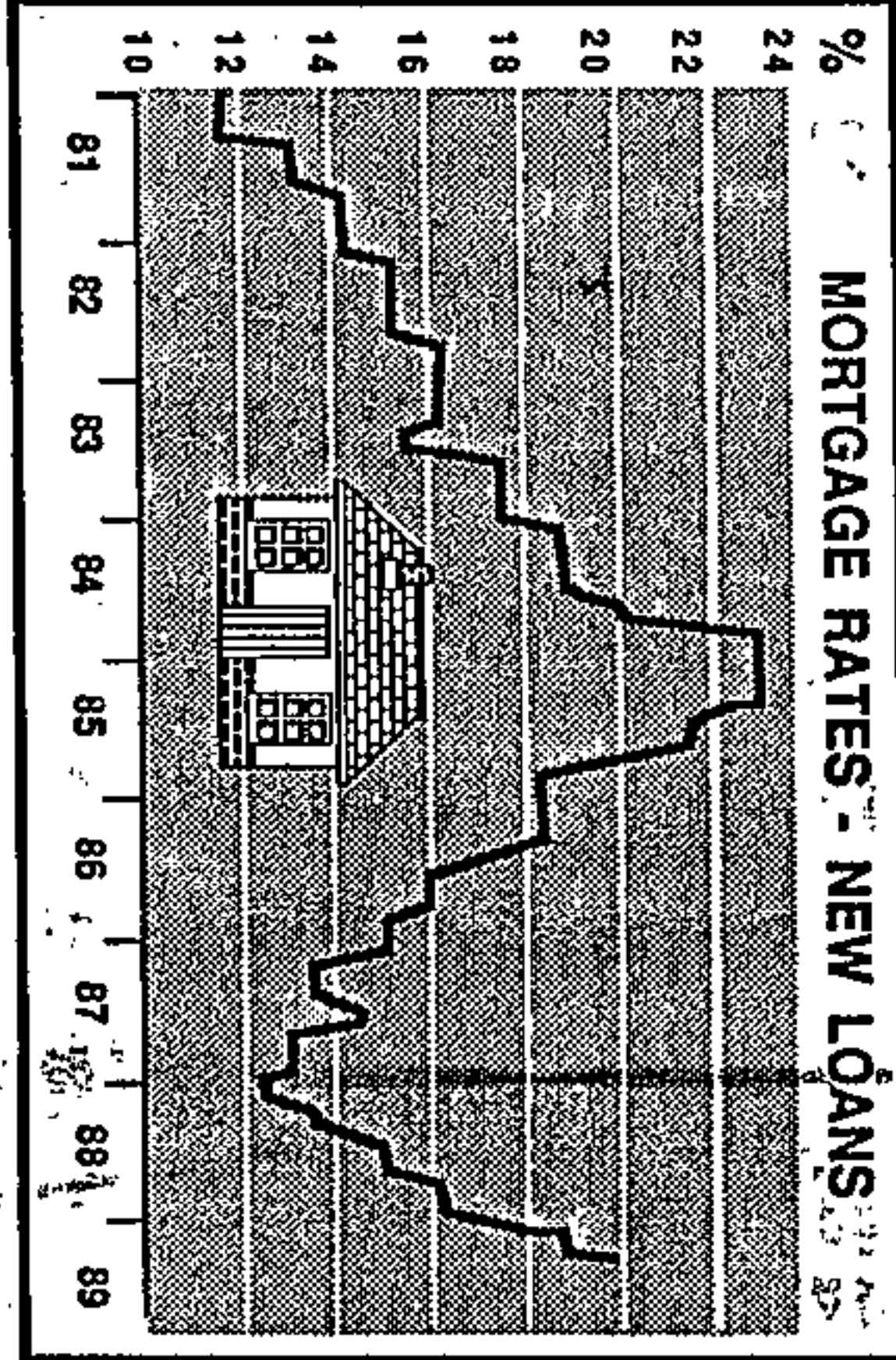
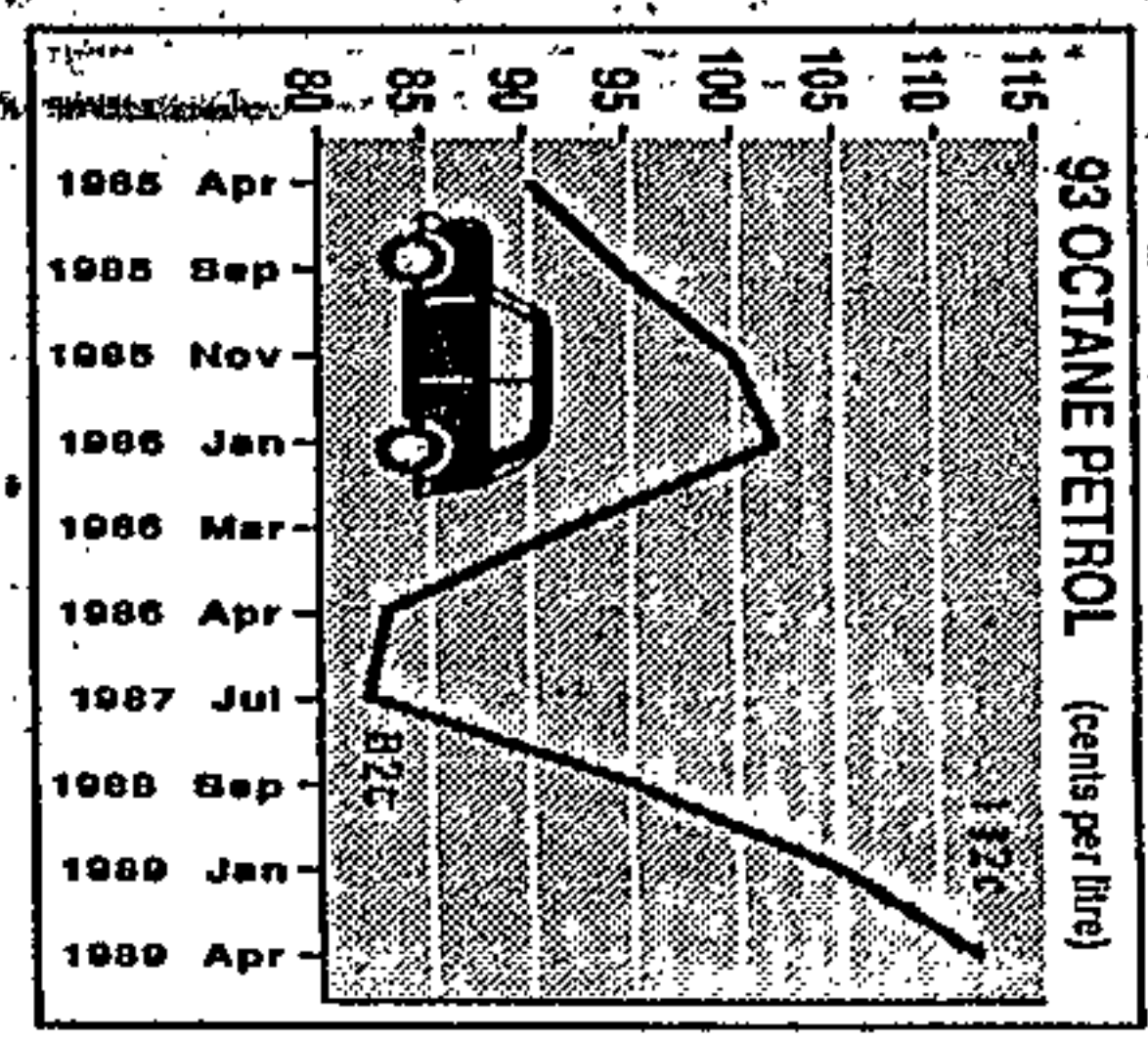
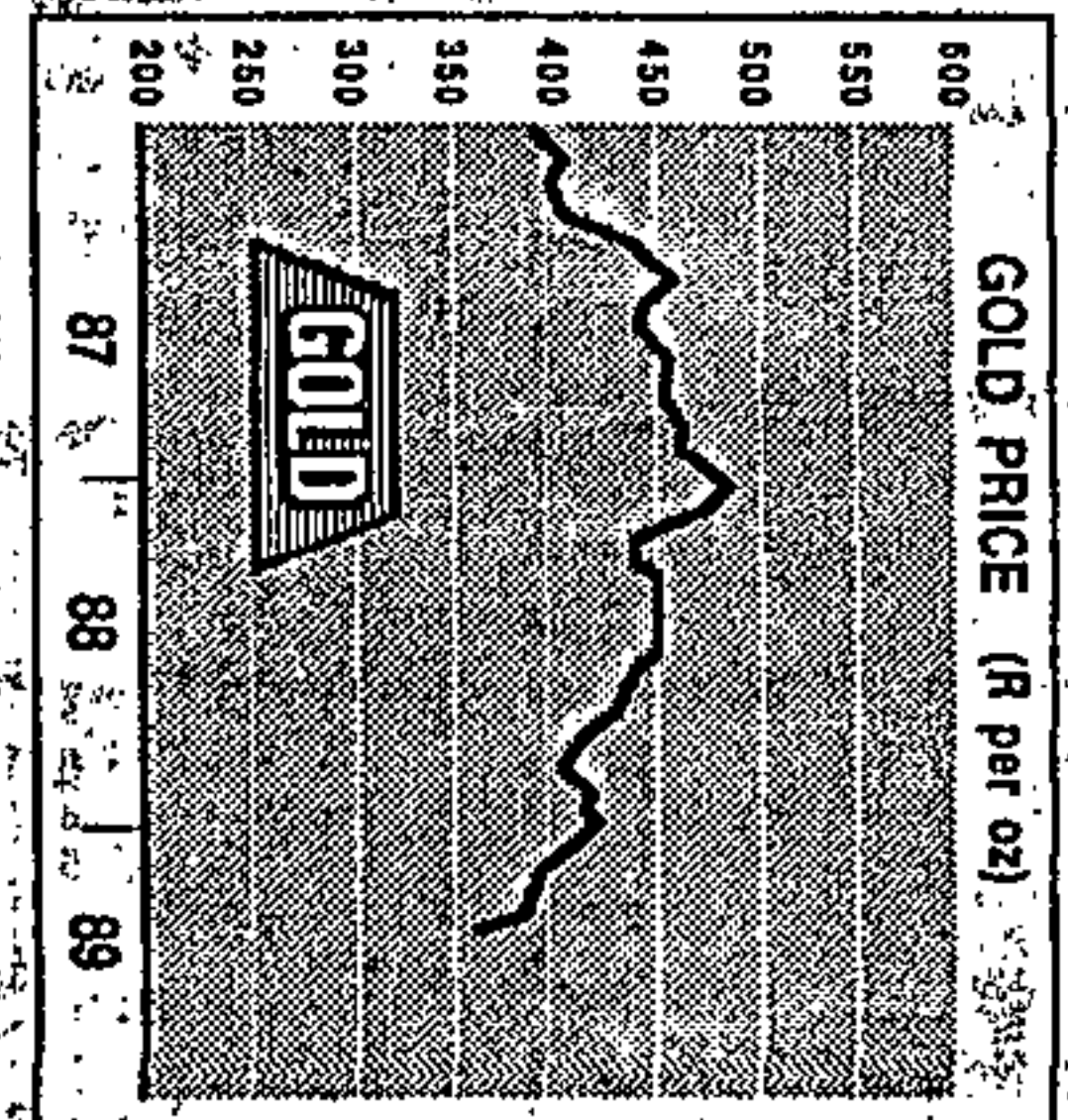
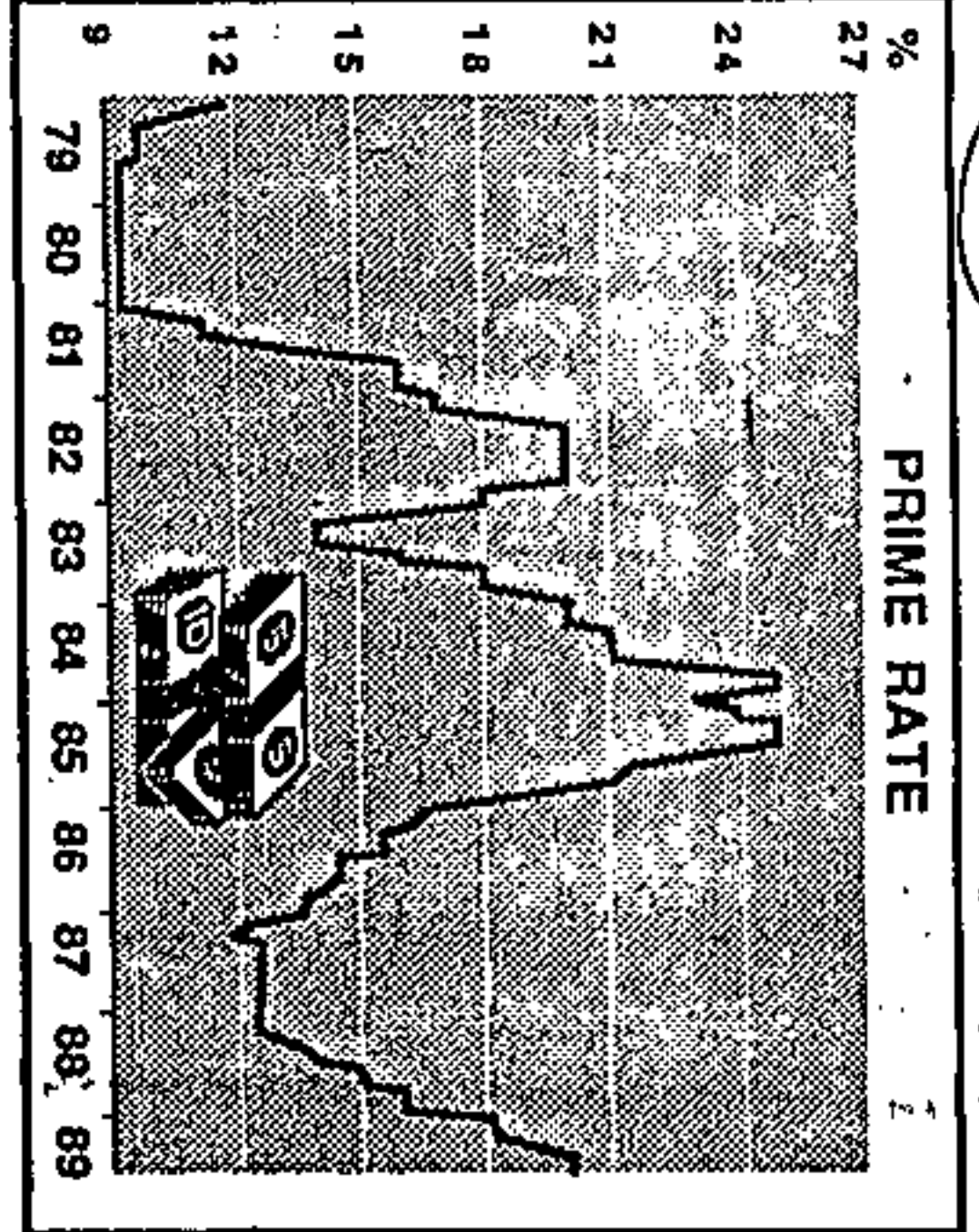
"The problem started when banks began offering outrageously high bonds, encouraging people to live way beyond their means," she said.

"Now they're grabbing business with one hand and waving two fingers in the air with the other."

She said the increased rates would push inflation up further "leaving us right in the cactus come July."

Allied Group spokesman Mr. Fritz Rieseberg said the number of people falling behind in bond repayments was up noticeably on that of last year, and the trend followed for repossession.

SA Permanent Building Society assistant general manager (public relations) Mr. Peter



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R125 000	R1 401	R1 737	R2 025	R2 121

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However, he stated that home-owners viewed repossession as a last resort and would usually attempt to sell their houses first.

United Building Society assistant general manager Mr. Kevin MacGregor, said more and more people were extending their period of repayment on bonds.

Like all the other financial institutions interviewed, he said repossession was more trouble than it was worth and encouraged home-owners running into trouble to visit their bank manager who would do

their utmost to accommodate clients.

An employee of The Star yesterday appealed for assistance from his bank manager (not the UBS) but was turned down flat.

His bond repayments increased from R1 047 in September last year to R1 750 plus. He is considering letting a section of his house to make ends

meet.

Another man interviewed by The Star faces losing his house as his bond repayments have rocketed by about 60 percent over the past year.

His 16 percent salary increase at the end of last year was a candle in the wind of the increases.

He estimated that initial payments of R940 a month in

Consumer reels on all fronts

The graphs tell the story of woes experienced by the consumer since the beginning of last year.

The higher Bank Rate, set by the Reserve Bank, led to a wide range of increases in other interest rates, as indicated by the steadily rising prime and bond rates.

The accompanying chart shows how monthly repayments have soared since January last year, when the bond rate was still quoted at 12,5 percent.

Added to this range of credit restrictions have been higher deposits and shorter repayment periods on hire-purchase financing.

Over the same time price surges on most items have rocked the consumer.

Petrol

The recent petrol price increases had a ripple effect on many producer and consumer goods and already economists are speculating on a further rise in the petrol price.

Other basic food stuffs also experienced regular price hikes. Eggs, maize, bread and dairy products were all recently in the news on the back of further price increases.

Behind this official desire to curb consumer expenditure is the country's lack of foreign exchange reserves, which force the government to cut back on imports whenever possible.

The situation has been exacerbated by the falling gold price.

Gold accounts for about 45 percent of South Africa's export earnings, and its recent decline to three year lows of around \$375 was the major signal for the government to start putting the lid on expenditure once again.

Home-owners' roofs are crashing in

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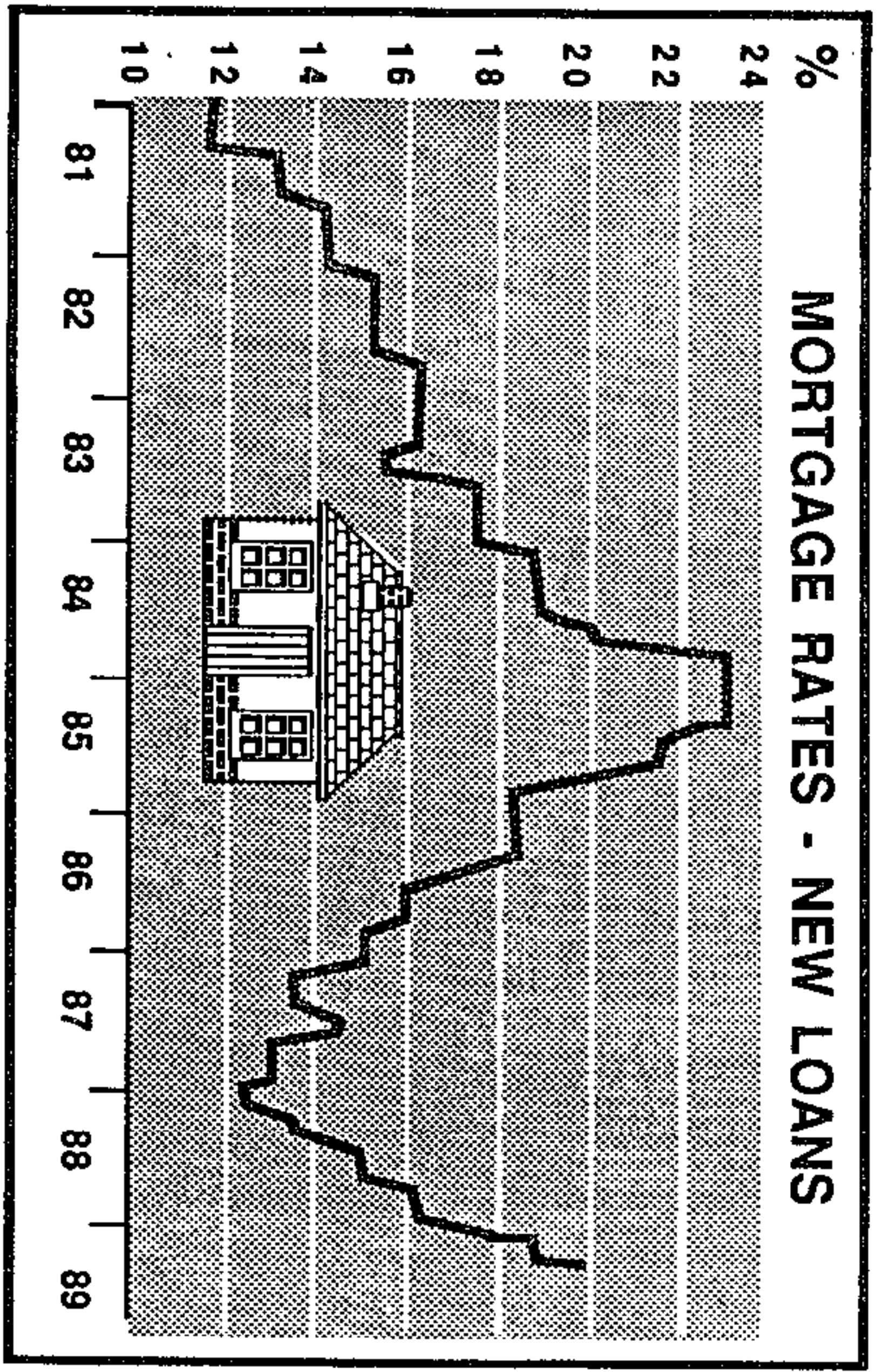
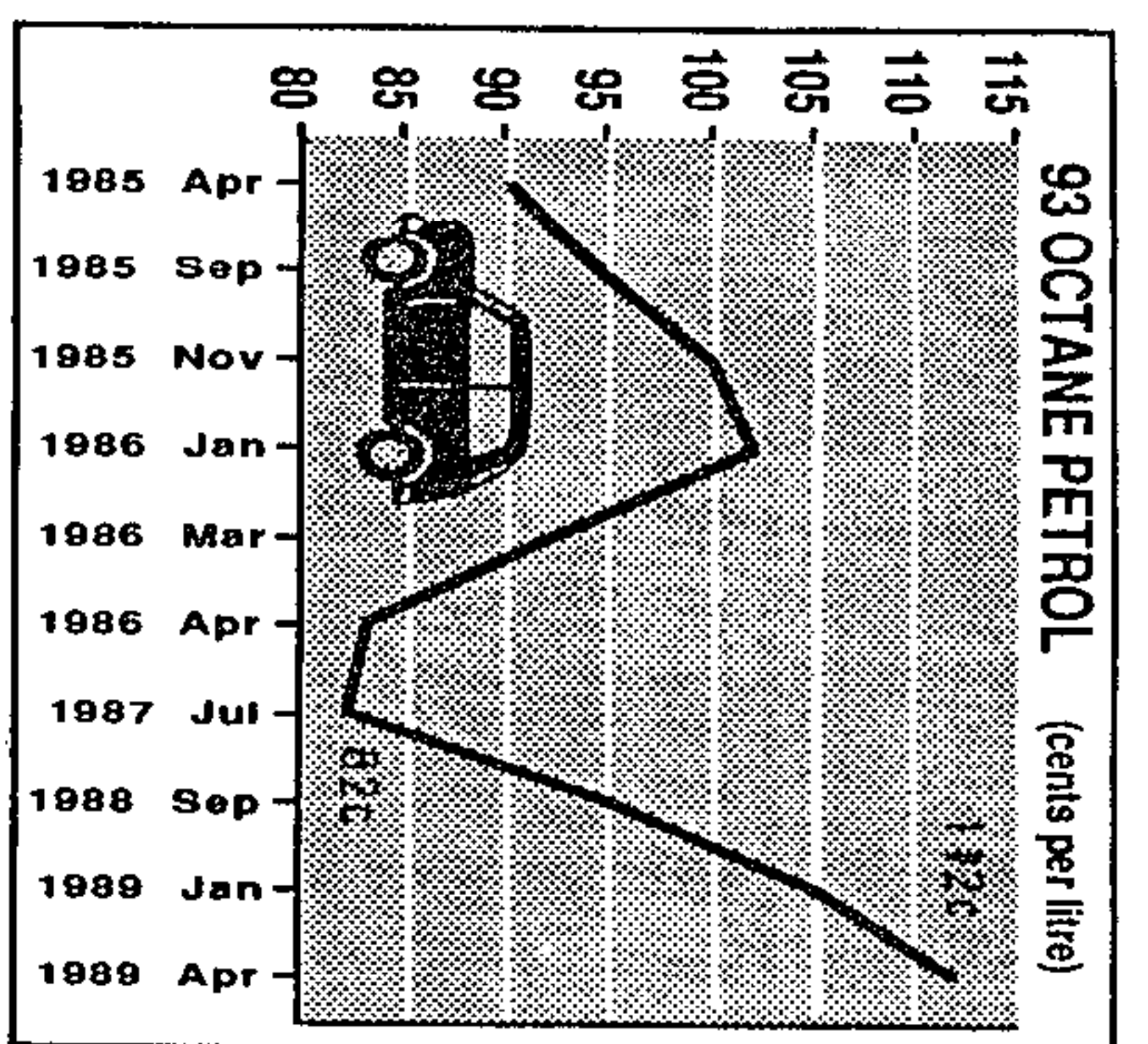
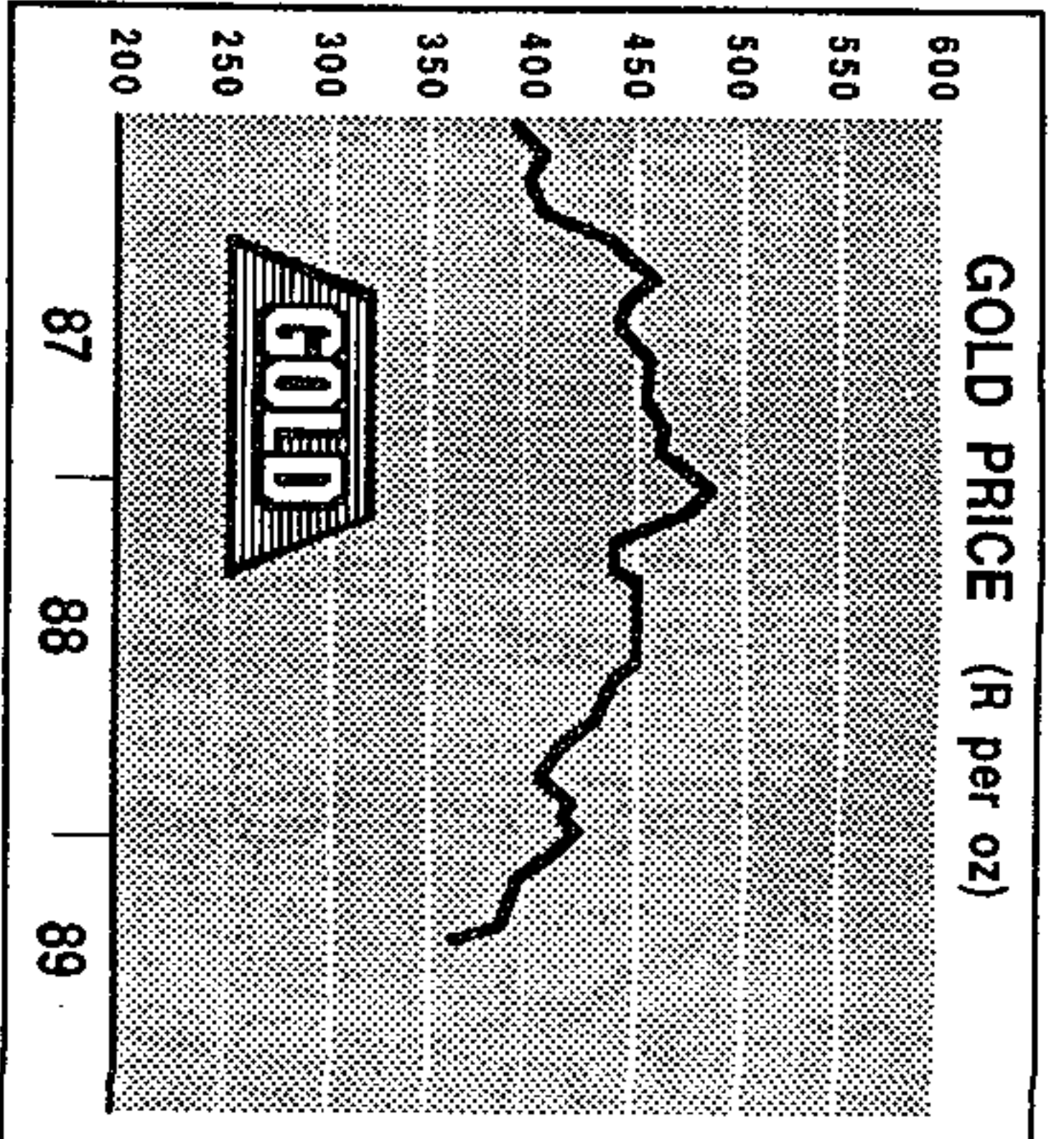
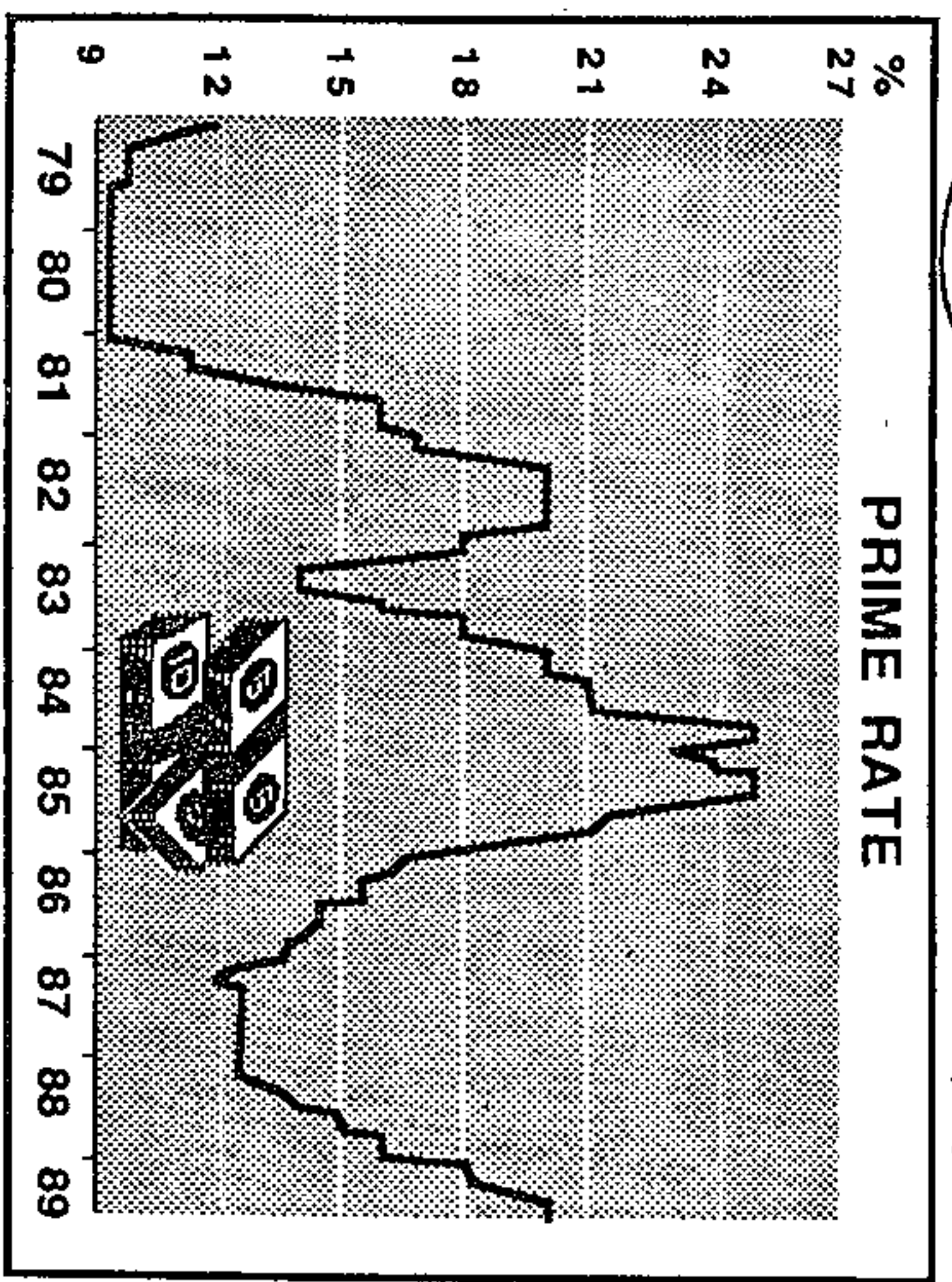
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His 16 percent salary increase at the end of last year was a candle in the wind of the increases.

He estimated that initial payments of R940 a month in May last year (now up to R1 430) would rise to about R1 600.

He has already taken a second loan to offset his current shortfall.

His only option is to send his wife to work and place his nine-month-old baby in a creche.

"The middle class man is taking a huge beating."

THE HOUSE OF ASSEMBLY

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Training: mixed accommodation

1. Mr P J PAULUS asked the Minister of Economic Affairs and Technology:

What is the policy of the Government on the accommodation during training of different population groups on mine premises in mixed dwelling-units?

B938E.JNT

*The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett): Mr Speaker, I want to refer the hon member for Carletonville to Hansard, Vol 106, col 5759. There he will be able to read that a former Minister of Mineral and Energy Affairs, on 27 April 1983, set out the Government's labour policy in connection with the mineral industry as follows, and I quote him:

In the first place, it is primarily the responsibility of the employer to ensure labour peace and contentment among his workers. By that I mean all workers, irrespective of colour, language, culture or creed. The second point is that there must be no change or disturbance of practices without negotiation with the workers and without their consent. This is the position irrespective of colour, language or creed. The third point is that in addition to labour practices, no workers must be forced to share facilities with people of a different colour. That is to say, he must not be expected to accept the sharing of facilities against his will. This policy is still being pursued.

†With the amendment last year of the Mines and Works Regulations to scrap the scheduled persons concept from the regulations, the policy was embodied in the regulations in connection with washing and latrine facilities to the extent that the manager shall, after negotiating with individual employees' organisations as to the needs and

preferences of their members, having regard to the physical, moral or social welfare of the members, provide and maintain adequate and suitable facilities.

The same policy—I stress the same policy—applies in respect of the accommodation during training of different population groups on mine premises in mixed dwelling units.

I would like to tell the hon member that in terms of section 21 (2) (b) of the Group Areas Act an Administrator may only after consultation with the Minister of Economic Affairs and Technology grant a permit to persons who are not members of the White group to occupy proclaimed mine land.

When such consultation with the Administrator takes place, it will be in accordance with the declared policy to which I have just referred.

*Mr P J PAULUS: Mr Speaker, apparently the hon the Deputy Minister did not look at the wording of the interpellation, because the qualification clearly stated there is "during training". During training that apprentice is not a member of a trade union or an employees' organisation and is therefore unable to negotiate.

These people seek work during a period in which it is scarce. They are only too pleased to find work irrespective of the conditions the employer imposes on them. They have no chance to negotiate. These people are being compelled to share hostels with people of colour. The hon the Deputy Minister is aware that hostels are going to be erected on mine land at Kloof Mine, where the Whites are going to live together with people of colour.

The Government made such a fuss about how it believed in freedom of association. What is freedom of association? Freedom of association means that one at least has a choice as to whether one wants to associate with a person or not. What freedom of association does the person have here, however, where only one hostel is going to be constructed for all population groups? What freedom does he have except to say that he does not want to work there and then to go and look for another job? He cannot find other work and he would like to be trained as a mine-worker or artisan. He therefore has no

other choice but to go and stay in that place together with the people of colour.

The hon the Deputy Minister is kicking up such a fuss now. He has just quoted to us a passage in which mention was made of employees' organisations. We know that he referred to the same thing last week and it was then said that an agreement had been reached with the employees. The employees' organisation was not consulted about this matter. The employers concluded a unilateral agreement with certain people. That agreement was accepted by the Government, because he quoted it here. The organisation, as I see it, is the trade union which represents the employees and which has to be consulted, and they were not consulted about this matter of these apprentices who are being forced to live with people of colour.

Provision is being made for married people with children to be admitted to the training school as well. [Time expired.]

Mr R R HULLEY: Mr Speaker, once again by asking this question the CP has revealed the ugly face of race prejudice. To wish to avoid ordinary human contact in shared accommodation during training programmes on mine premises, or anywhere else, is an extremely offensive attitude to adopt towards people of colour. If miners can work side by side in dangerous situations underground and if they can entrust their lives to each other underground, why cannot they share training facilities on the surface? This question, once again, reveals precisely the kind of attitude that has alienated White South Africans from the rest of the civilised world.

The answer of the hon the Deputy Minister reveals, on the one hand, a lack of clear and courageous leadership on this question, and on the other hand, an attempt to run away from the consequences of their own policy by hiding behind a permit system.

The laws of this Government, such as the Group Areas Act, the Reservation of Separate Amenities Act and elements of the Mines and Works Act and the Shops and Offices Act, are based on segregationist thinking and are parent to the situation we have and give rise to the interpellation we have here today. This Government has consistently refused shared facilities in other education and training establishments, such as universities, technikons, schools and so forth.

and thus is part of this whole problem. [Interjections.] The NP must put its own house in order before it criticises the CP. [Interjections.]

The DP believes in freedom of association. We say that individual businesses should be free to regulate their own internal arrangements within the framework of a non-discriminatory bill of rights. Any businessman will tell one that shared training facilities is part of a process leading to better company morale and should be encouraged. [Time expired.]

The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett): Mr Speaker, I am prepared to concede to the hon member for Constanita that much of what he has said I certainly can accept. We are moving away from segregation. In fact, the whole history of Government policy in the past ten years or so clearly indicates that the Government is moving away from discrimination and that it is trying to get the different race groups of South Africa to co-operate and work together in peace and harmony.

Unlike that party, the NP does not believe that one must rub people's noses into something new which they are, perhaps, not prepared to accept at this stage. Reform is a transitional thing. It takes place as people's attitudes change. The NP is active in changing people's attitudes. The legislation which has been passed in recent years and months clearly indicates this. That hon member has no feeling whatsoever for the views of the hon member for Carletonville who was a leader of a trade union movement and is perhaps reflecting some of their attitudes. We in the NP make provision for people to change their attitudes as time and circumstance allow.

I want to ask the hon member for Carletonville whose views he is really representing. Are they the views of the CP or are they the views of that particular hon member? The NP believes that the workers, given this framework, can sort out many of these problems themselves, as indeed they did in regard to mixed shower and washing facilities. I referred to this matter during the discussion on the last interpellation that the hon member for Carletonville brought to this House.

As far as training facilities are concerned, I can tell the hon member that the department has received an application from the Chamber of Mines for a surface right permit. [Time expired.]

*Mr C D DE JAGER: Mr Speaker, we are pleased that the hon the Deputy Minister had the courage to say that the NP was moving away from segregation.

*The MINISTER FOR ADMINISTRATION AND PRIVATISATION: That is nothing new!

*Mr C D DE JAGER: In that case I should like to know where it is moving to. Is it the policy of the NP that it is moving towards integration? [Interjections.] One can have either separation or integration. One cannot have both. If one is moving away from separation, one must be moving towards integration. I am therefore pleased about the admission of the hon the Deputy Minister today that this is the course the NP is at present following.

It is correct that freedom of association may exist, as the DP says, but I find it very strange that the DP does not also recognise the democratic right of freedom of association. If there are people who do not wish to associate, why should they be forced to associate? [Interjections.]

*Mr SPEAKER: Order! The hon member for Constantia must contain himself. The hon member for Bethal may proceed.

*Mr C D DE JAGER: I want to ask the hon the Minister whether he acknowledges that the workers who are receiving training will have the right to separate hostels and that they will not be forced to live together in mixed hostels and mixed residential units where men, women and children and as much as two children per family are allowed to live together. Is it the policy of the Government that separate facilities should be provided for these people if they insist on them, and what steps will the Government take to enforce this if the employers and management do not wish to provide this themselves?

*Mr P J PAULUS: Mr Speaker, I want to tell the hon the Deputy Minister that I reflect the feelings of the White workers in White South Africa. [Interjections.] I want to say in addition that job integration brings social integration in its wake, and social integration means total integration. When that has happened, what right does an employee have to exercise his freedom of association if he has lived with people of colour during his training, but refuses to live with people of colour in a residential area, which is maintained by his employer, after he has completed his training?

and (b) alleviate unemployment?

B953E.INT

The MINISTER OF FINANCE: Mr Speaker, I think anybody who not only can provide the answer to this question but can also implement it in this country within the constraints within which we have to operate is certainly worthy of the highest decoration imaginable. I shall try, in the limited time at my disposal, to give some indication as to how we are addressing this particular issue.

I want to say right at the outset that, in the first place, we on this side of the House believe that it is not primarily the function of the State but that of the private sector to provide employment. It is obvious, based on that point of departure, that it is then incumbent upon the Government to provide the necessary atmosphere and environment within which the private sector can indeed provide the necessary employment opportunities.

However, we no longer see that almost one-on-one relationship between economic growth and the creation of employment. In our hi-tech environment it is quite possible today to achieve very substantial growth rates without the concomitant employment opportunities which were an inherent part of economic growth in the past. An analysis of how we have grown in the past few years will show that fortunately, with the modest growth rate that we could register, there has indeed been a very satisfactory degree of job creation in the process.

We operate within the framework of our long-term economic strategy as developed by the Economic Advisory Council of the hon the State President, and right now the Central Economic Advisory Service has already made very substantial progress in the development of a completely adapted economic development programme involving not only nine different areas, but also more than 30 committees or working groups in which the private sector is also involved.

What do we intend to do in terms of our long-term economic strategy? We intend, in accordance with what has been recommended by the Economic Advisory Council and accepted by the Government, to strengthen and develop the modern sector in our economy, because it is that sector which is income-generating, work-generating, a creator of surplus funds and also the

main supplier of the expertise necessary to develop our very complex economy.

We base our development programme on three broad points: Firstly, on inward industrialisation as the main component of our economic development programme; secondly, on a deregulation of the economy so as to provide the maximum opportunity possible for self-employment . . . [Time expired.]

Mr H H SCHWARZ: Mr Speaker, there is no doubt that the State has an obligation to create the climate for employment. The private sector cannot go against the stream, and if the State does not create the climate, the private sector cannot succeed on its own. Growth is certainly possible with a limited increase in employment, but increased employment without economic growth is almost impossible.

What is really needed in South Africa is not mere talk about inward industrialisation but its actual application. The tragedy is that there is so much concentration today on the fact that everything must be left to the private sector—that if the private sector does not start it, the State does not give the impetus. I submit that if inward industrialisation is to succeed in South Africa, the State will have to give the impetus and lay the foundations for it. As I see it, we have spoken about inward industrialisation, but we have not created the foundation for it in our country.

Secondly, deregulation has become a buzz-word, but it is only actually being applied to a very limited extent. Productivity is something that we talk about, but there is insufficient encouragement for productivity. Training is one of the essentials for overcoming South Africa's manpower problems, and yet our education system is not geared to producing the kind of people who are technically required in South Africa. We continue to concentrate on knowledge of Latin, history and geography, but we do not know how to lay a brick, work a machine or do all the other technical things which are required in South Africa.

We need private fixed investment in South Africa to be encouraged to a far greater extent. Above all, what we need is to create a climate of confidence in South Africa where people know what is going to happen both politically and economically so that in that kind of climate

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1047 THURSDAY, 11 MAY 1989 1048

45 001 - 50 000	49 603	965	867	349
50 001 - 60 000	55 159	799	812	340
60 001 - 70 000	24 779	252	326	127
70 001 - 80 000	12 043	70	174	40
80 001 - 90 000	6 573	36	68	16
90 001 - 100 000	4 026	26	67	6
100 001 - 150 000	7 336	36	109	9
150 001 - 200 000	1 898	5	39	2
200 001 - 250 000	702	0	11	1
250 001 +	901	3	11	5
Total	1 421 711	236 519	124 603	305 518

NOTE: The above statistics do not include taxpayers under the Final Deduction System.

Contract for sale of pinewood

332. Mr C B SCHOEMAN asked the Minister of Environment Affairs:†

- (1) Whether his Department has entered into a contract for the sale of pinewood for the manufacture of paper with a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) on what date (i) was the contract entered into, (ii) did it come into effect and (iii) will it lapse, (b) what quantity of wood was so sold and is to be so sold in each year of the contract, (c) at what price is this wood being sold and (d) what is the name of the company concerned;
- (2) whether he will make known the terms and conditions of the existing contract; if not, why not; if so, what are these terms and conditions?

B676E

The MINISTER OF ENVIRONMENT AFFAIRS:

- (1) Yes.
 - (a) (i) Original agreement entered into the 1950, new agreements entered into in 1967 and 1975
 - (ii) 1 May 1950, 1 April 1967 and 1 April 1975
 - (iii) 31 March 2000.
- (b) and (c)

See answer to paragraph (2) hereunder

(d) SAPP Limited

Handwritten: Hummer

1049 THURSDAY, 11 MAY 1989 1050

<p>Petroleum products: excise duties</p> <p>426. Mr R R HULLEY asked the Minister of Finance:</p> <p>What total amount was collected in net excise duties in respect of petroleum products in the (a) 1987-88 and (b) 1988-89 financial year?</p> <p>B847E</p> <p>The MINISTER OF FINANCE:</p> <p>(a) R443 679 026,53</p> <p>(b) R479 651 651,26</p>	<p>Land and Agricultural Bank: housing loans</p> <p>486. Mr J B DE R VAN GEND asked the Minister of Finance:</p> <p>What total amount of money was on loan to employees of the Land and Agricultural Bank in the form of housing loans as at 31 December 1988?</p> <p>B925E</p> <p>The MINISTER OF FINANCE:</p> <p>R28 146 068,21</p>
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Personal bodyguards for members of Parliament

344. Mr A GERBER asked the Minister of Law and Order:†

- (1) Whether during the latest specified period of 12 months for which figures are available any members of Parliament made use of personal bodyguards provided by the South African Police; if so, what was the total cost involved;
- (2) whether he will furnish the names of the members of Parliament concerned; if not, why not; if so, what are their names?

B751E

The MINISTER OF LAW AND ORDER:

- (1) and (2)
- In terms of a decision of the Cabinet on 25 May 1988, approval was granted for Ministers and Deputy Ministers to use members of the South African Police as drivers/bodyguards in the interest of their personal safety. However, it is not in the public interest or in the interest of the safety of Ministers and Deputy Ministers to make known information regarding this matter.

However, I am prepared to furnish this information to the honourable member on a confidential basis should he approach me for that purpose.

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One step forward, two back

Having dipped in a toe to test the free settlement water, some local authorities are finding it a little too chilly to actually take the plunge.

That doesn't mean they're turning their backs on the concept; it's just that the idea of being the first to venture into uncharted waters gives them the shivers.

When the Free Settlement Act was promulgated at the beginning of the year, there were three front-runners vying for the honour of being the first municipality to legally include multiracial areas within its boundaries.

They were Cape Town, Sandton and Midrand. Cape Town has now asked to be treated as a special case. It wants the Group Areas Act lifted in its entirety — rather than having to declare individual free settlement zones within its borders (*Current Affairs* May 5). A brave move, but even if it is approved it will probably take some time because of the political hurdles which must be overcome.

After making their initial standpoint on the issue known, Midrand and Sandton appear to have adopted a more cautious approach. It appears they are coming under increasing pressure from the "Nimby" lobby — those who welcome free settlement moves as long as they are "not in my backyard."

The Sandton council said (*Property* March 17) that it would, following an investigation, be submitting its application to the Free Settlement Board at the end of April. However, management committee chairman Peter Gardiner now says several deficiencies have been identified in the Act and it could be several months before a decision is taken on whether or not to proceed with the application.

"We will be waiting for the outcome of a conference of the public representatives of the DP which is aimed at thrashing out party policy on free settlement areas," he says.

Gardiner claims there are three schools of thought on the issue. The first is that nothing short of scrapping the Group Areas Act is acceptable. The second is that free settlement legislation is incremental and the council should take what it can get. The third is that the legislation is defective and it was never envisaged that entire municipalities would become free settlement areas.

Midrand's management committee has also, at least temporarily, withdrawn from the council agenda a Sage Properties proposal that a free settlement area be established at Country View Township, near Noordwyk.

Rob Crockett, MD of Sage Schachat, stresses that it hasn't withdrawn its application and doesn't at this stage believe the

delay in gaining approval will be too prolonged. "My understanding is that the management committee has simply decided to delay its decision. It is not for me to say why it has done so."

The Sage scheme involves 1 100 units to be built in three phases, with 300 units in phase one. This will include a mix of single residential units on 800 m² stands as well as "fair percentage" of group housing, giving individual title, on 500 m² stands.

In terms of cost, the single residential, serviced sites are unlikely to be sold at less than R30 000, which, says Crockett, means that at today's prices, the minimum entry level would be from R80 000-R100 000, but that is speculation.

"Quite apart from any constraints imposed by the local authority, we want the development to be successful. I don't believe it will be anything other than normal suburban living."

However, the FM understands the management committee withdrew the application because it feels government's limited free settlement approach could precipitate the growth of racially polarised suburbs — just the opposite of the objective of free settlement areas.

Furthermore, the ongoing pressures and inadequacies of the Act could result in extended and multiple families occupying individual stands. This, in turn, could result in an area like Country View degenerating into a ghetto. ■

FNB raises home loan rate to 20 per cent

Finance Staff
First National Bank announced yesterday that its home loan rate was to be increased by one percentage point to 20 per cent with effect from May 23.

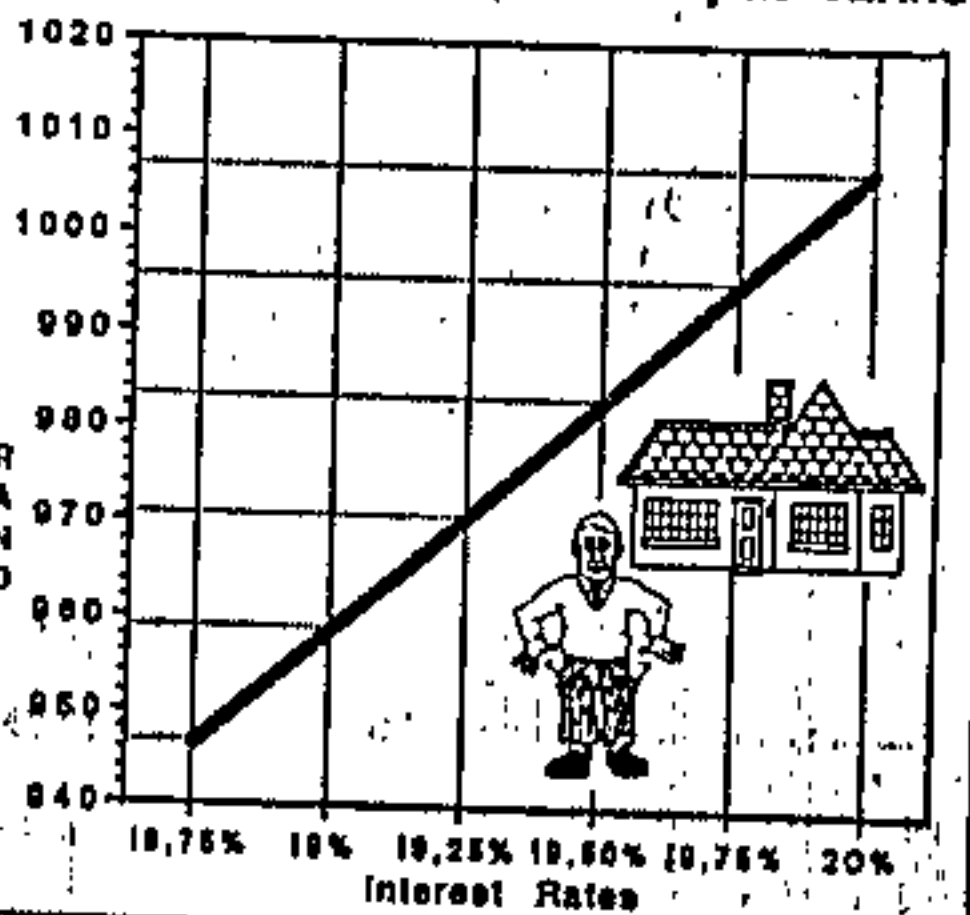
6/25/69
The move is likely to be followed by other banks and building societies, although building societies can only lift their bond rate with effect from July 1.

"This move mirrors

the increase in the Reserve Bank rate and reflects the tight conditions at present being experienced in the money market," Mr Jimmy McKenzie, the senior general manager said.

Star 13/5/89

REPAYMENT ON R60,000 OVER 25 YEARS



REPAYMENT OVER 25 YEARS ON:-

	18.75%	20%
R70,000	R1,105	R1,175
R80,000	R1,262	R1,342
R90,000	R1,420	R1,510
R100,000	R1,578	R1,678

Cash buffers for homeowners

● FROM PAGE 1.

● "Capping" loans. Instalments are frozen for periods of up to five years. The total amount owing may rise during the "capping" period, but the facility is a buffer until times get better.

● Where margins permit, bond payments can be waived for six months.

Low-cost housing is a sector of the market that is certain to take a knock as bond rates rise and building costs spiral. There has already been a big drop in housing sales in this sector.

Mr Matthew Nel, managing director of the residential development division of the Urban Foundation, says: "The houses we were selling 15 months ago to families with an income of R500 a month now require an income of R1 250 a month — and this figure does not take into account an additional one percentage point rise in the mortgage rate."

Banks and building societies do not expect to see a significantly higher rate of repossession in this area. Subsidies from the public and private sectors are acting as buffers as rates increase.

Mr Brian Kemmey, deputy managing director of the Perm, says: "Incidents of default are no more prevalent among blacks than in the white sector. It is our experience that the black homeowner is a good payer and a responsible borrower."

Mr Kemmey does not expect to see the current high interest rate pattern maintained for long.

Mr Mike de Blanche, managing director of the United, says: "We might well see a slight increase in repossessions, but I have no doubt that the austerity measures will be short-lived and that interest rates will drop later this year."

Financial strain

"The doubt, too, that unlike the market downturn about four years ago, there is a much greater degree of confidence, both politically and economically, in the country and property values at increasing."

Mr de Blanche is convinced that the man who can buy a home at present interest rates will not feel any financial strain in the future.

The banks, too, are apparently confident that repossession will not be a worry.

Mr Pat Lamont, chief manager of the home loans division of First National Bank, which has raised its rate from 19 to 20 percent from May 23, says: "Foreclosure is not a significant factor on our total loan book of R4 billion."

"We talk to borrowers on an individual level, and are working responsibly to overcome any problems so that we can avoid getting to the repossession level."

Mr Lamont believes that, with about 60 percent of home borrowers being subsidised either by the State or business, there is a cushion effect to rate increases.

Although none of the property experts interviewed by Saturday Star disputed that foreclosures would increase in the wake of a higher mortgage rate, they did not expect the increase in repossessions to be significant.

Natal Building Society's number of repossessions at present, in relation to its total book of borrowers, is only 0.29 percent, and (while Mr Bradshaw expects this to rise in the wake of the freeze) the increase will be "infinitesimal".

Message of optimism for homeowners

"COME in and talk, don't just give up. We can always work out something."

That is the message banks and building societies have for homeowners facing the threat of repossession of their property as the economic crunch tightens.

Homeowners are bracing themselves for a bond rate of 20 percent after the wide-ranging economic curbs announced by Minister of Finance Mr Barend du Plessis.

Top management spokesmen say foreclosure is a last resort decision.

Homes still in demand

TODAY'S issue of The Star Property Guide is the biggest yet with 180 pages, indicating the demand in the market place for homes even in the wake of rising interest rates and Finance Minister Barend du Plessis's austerity package.

The Property Association section of the guide is inserted in Weekend.

FRANK JEANS

sion taken when a borrower is unable or unwilling to meet his obligations.

"But there are a great many factors to be put together before a decision on repossession is made," says Mr Terry Bradshaw, southern Transvaal manager of the Natal Building Society.

The bondholder is usually notified twice after three months of arrears, and the society insists that the borrower has to do something to solve the problem over with management compromise.

Only after a final demand letter will the foreclosure process be put into action, and at any time — even up to zero hours — repossession can be halted by a borrower's pledge to resume payments.

There are a number of ways in which the lending institutions can assist the borrower who finds himself stretched to the limit.

● TO PAGE 2.

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IAN WATT

Rents, land price rise in factory shortage

St. Times 14/1/89
123

A BOOM in factory building is under way.

Property experts expect it to continue for at least six months.

Some big institutions which develop mini-factory complexes on spec are experiencing a major take-up of space. An example is Sanlam's Strydom Park development in Randburg which is fully let.

There is a severe shortage of factory space not only on the Reef, but in other parts of SA.

As a result rents and land prices are rising. Vacant land is scarce and expensive in certain parts of greater Johannesburg.

Declining

A study by JH Isaacs says property trust and investment companies with a strong complement of industrial space on short-term lease should benefit.

"Vacancies are steadily declining and land prices have escalated drastically in prime industrial areas," says group research manager Nicki Vontas.

He tips property investment companies and trusts such as Barprop, Pioneer, Tamboti and Capital to do well in the boom.

The study shows that since 1985 when the market was depressed, land prices and rents have increased by as much as 100% in some areas. Land availability has dropped considerably in others.

The scarcity is acute in industrial areas along the M2 East motorway, in Isando, Spartan, Wynberg and Eastgate-Kramerville where land prices have soared to R200/m² and rents to R10,50/m². Land prices range between R140m² in Wynberg and R75/m² to R80/m² in Denver and Cleveland.

Top rents of R10/m² are being paid for premises under 500m² in areas such as New Centre and Denver, and R8,5/m² for small sites in Selby-Ophirton, Sebenza, Eastleigh and Heriotdale.

Mr Vontas says his study

By Udo Rypstra

involved only buildings that are structurally sound, with ground-floor loading access and where the office component is about 15%.

Firm

Even for large sites of 5 000m² rents of R5,60/m² are being paid in Johannesburg itself.

In the northern suburbs close to Alexandra, rents are again climbing. Land availability is "very good" in Malboro, but fair in Kew. After the riots, many businesses moved to Strydom Park where rents are firm at about R10/m² for small sites.

Land is available at Midrand, but prices have risen by 75% since 1985 and rents by 38% to R9/m² for small sites.

On the West Rand, land in Amalgam is going for R150/m² and rents are R7/m². Townships such as Industria are under slight pressure because of large areas on offer and limited access.

In East Rand areas such as Wadeville and Sibenza rents have increased by more than 50%, says Mr Vontas.

Rents have risen by about 40% in Pretoria. Going prices are R8/m² to R10/m² for properties under 500m² and between R6/m² and R8/m² for bigger sites. In Durban, the recovery has been between 25% and 50%. Top rents are R9/m² for small sites and R6/m² for bigger ones.

Cape Town has maintained stable growth of between 15% and 20%, small sites commanding R7/m² and bigger ones between R4/m² and R6/m².

Some experts argue that new building projects would require rents of at least R7,50/m². Mr Vontas says minimum rents vary from area to area and depend on size, land price, building cost, financing cost and profit margin, which generally runs between 15% and 20%.

Pipeline

Ian Watt, Transvaal regional property manager of Old Mutual Properties, believes the strong recovery in the market and demand should lead to a new cycle of development of prime industrial space.

OMP has let more than 130 000m² in the Pretoria-Witwatersrand-Vereeniging and greater Durban and Cape Town areas in the past 20 months. Mr Watt says there is a 7 420m² deal in the pipe-

line which will result in the former Bluebell Wrangler factory in Durban being fully let.

"In response to demand, rents for large prime industrial space on the Witwatersrand are moving towards R7/m². That is a point that makes new development attractive. However, it is unlikely that much new development will be speculative.

"It will be for committed tenants and largely tailored to their needs. An indication of this is that one broker has brought us proposals for the development of a total of 33 000m² for various firms.

"We also are considering requests from existing tenants, mainly in the City Deep and Isando areas, to extend their premises.

"We have had an increase in inquiries from property brokers looking for space for clients."

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JSE

Elcentre - overlooked new star of the JSE

St. Times 14/1/89

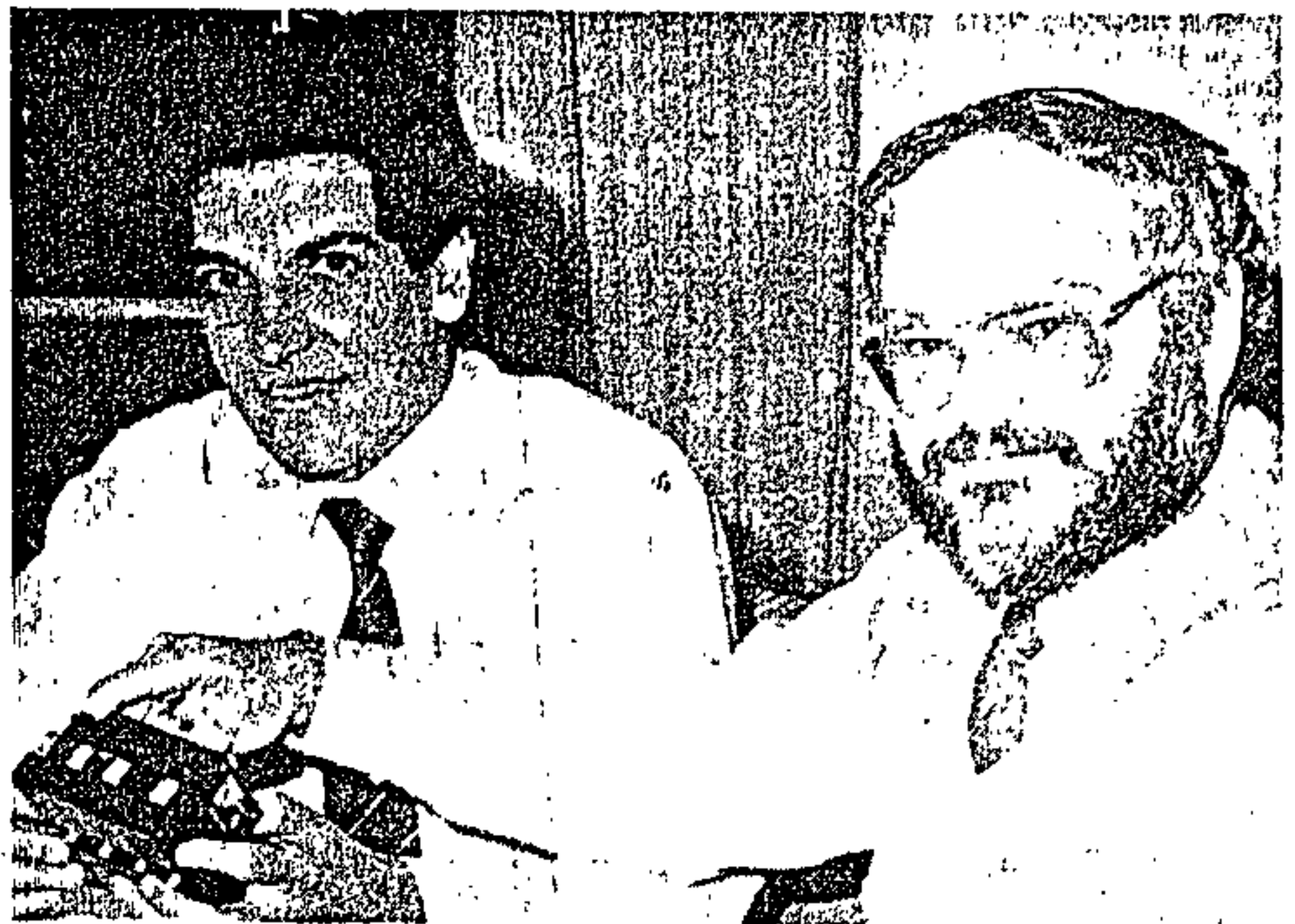
By David Carte

ELCENTRE, the Mowszowski brothers' little-known electrical group, draws the spotlight today with earnings that put it in the top 50 companies in SA.

The low-profile, high-performance group based in humble quarters in Doornfontein, Johannesburg, sold R500-million of assorted electrical goods in the year to August 1988. Sales have leapt from only R73-million in 1986.

In hoisting taxed profit by 61% to R48,9-million, Elcentre earned 70% more than Powertech, the Altron group company, which is much better known and more highly rated.

In the past three years, Elcentre has acquired compati-



Lenders offer life-belts to home-owners

St. Thomas 14/1/89

123

BANKS and building societies are leaning over backwards to help people who are struggling to keep their homes because of crippling interest rates.

Mortgage rates are now hitting 20% a year.

Several institutions have called on customers not to default on payments, but to go to branch managers for help.

"The last thing we want to do is repossess," they say.

Sharp

Institutions do not publish foreclosure statistics. But First National Bank, Allied Bank and the Perm confirm that since the last round of rate increases a few months ago, the number of defaulters has risen noticeably.

They fear increases could lead to a sharp rise in repossessions. These, however, will only filter through later because the legal procedure takes about six months.

FNB was the first institution this week to announce a rise in its mortgage rate from 19% to 20%, effective from May 23.

Senior general manager Jim McKenzie says: "I know it is tough on them, but we appeal to borrowers to see their branch manager if they have a problem. Something can be worked out."

Other institutions say they are likely to follow FNB, with rates of between 19,75% and 20%.

Peter von Broembsen, financial director of the Perm, says the increase in defaulters has been noticed among all income groups.

By Udo Rypstra

and is causing "considerable concern".

Since early last year, when banks and building societies were involved in a rate war for market share, interest rates have almost doubled from 11%, adding about R500 to the instalments on a R100 000 bond over 25 years. Instalments on a 20-year R80 000 bond have increased from R987,80 a month a year ago to R1 296,80 (at 19%).

Increases in repayments have been less on smaller bonds, but are affecting sales to first-time buyers, who are subsidised.

Don Hunter, treasury chief of the Allied, says struggling borrowers can extend repayment periods or opt for fixed rates. The latter are pegged by the Allied at 19,25% for one year, 19,5% for two years, and 19,75% for up to five years.

One building scheme already hit by rate increases is the R2-billion Blue Downs coloured housing project in the Cape where owners are battling to stay within budget. Sales agents believe the higher interest rates may

bring the project to a standstill until rates drop to more affordable levels.

One sign of distress is a large supply of houses for sale. A newspaper property supplement in Johannesburg this week ran a record 180 pages.

Property experts have been confounded by the spending spree on houses, but believe the latest rate rise may have burst the bubble.

Demand

Until now, it has been a seller's market with a shortage of good, realistically priced houses. Both the Standard Bank and the Perm report that in spite of high finance charges, there has been a steady demand for housing loans and bonds. Standard Bank wrote R100-million of new business last month after R120-million in March.

Aida Real Estate says sales of houses have started to taper off in Johannesburg and Pretoria because buyers fear further rises in interest rates.

Chairman Aida Geffen hopes sellers will now price their property more realistically.

CAPL Times 15/5/87

HoD sells rented houses

Political Staff 123

IN a House of Delegates sales campaign, 72% of rented houses had been sold to the tenants, the chairman of its Ministers' Council, Dr J N Reddy, has told Parliament.

He also said that by next year 7 200 housing units would be completed and 8 500 serviced sites would be provided for sale.

When the HoD was established in 1984, about 3 000 housing units a year were completed and the number of serviced sites made available was about 1 200 a year.

However, Dr Reddy, who was making his policy speech as Minister of Housing, said escalating building costs were adversely affecting the housing programme.

"Affordability has become a factor of crucial importance in the promotion of housing," he said.

"The relatively high inflation rate and unemployment rate complicate the task to provide affordable housing considerably.

"This accentuates the necessity of giving affordability prime consideration."

High bond rates boost arrears

(123) 31 Dec 1978
HIGHER bond rates have caused an acceleration in building societies' arrears and are severely depressing the housing market for lower income groups.

GRETA STEYN

Figures made available to researchers of the SA Institute of Race Relations (SAIRR) show the SA Perm's bond accounts for whites in arrears has risen from 4% of their book to 5% in the year to March 1989, and for blacks to 15% from 12%.

Other building societies confirm that arrears have risen as a percentage of the total mortgage book, especially in the past few months. One reported a 0.7 percentage point increase in this year alone.

The SAIRR said in its Social and Economic Update: "The rising mortgage rate is keeping potential black entrants out of the housing market and creating further difficulties for the low-income groups who

had bought houses."

Research had found that owners had continued to pay off their bonds by taking in lodgers and back-yard tenants. But it appeared as if potential home buyers could no longer afford the type of homes available to their income group last year.

Building society and bank spokesmen said everything possible was being done to avoid repossession. The repayment periods on mortgage loans were being extended to keep instalments unchanged, or the unpaid interest would be capitalised.

However, this last alternative posed a problem in that it would be reflected as credit extension on banks' and societies' books. This would be reflected as inevitable growth in the money supply.

Huge low-cost housing shortfall

3104 1715/89 (123) (123)

PRETORIA — The shortfall of low-cost and sub-economic housing countrywide is about 800 000 units, Barlow Rand deputy chairman D E Cooper said here yesterday.

Speaking at the National Association of Home Builders conference, he said about 130 000 units a year were needed to meet the demand and eliminate the shortfall by 2010.

In 1989 terms this required spending upward of R2bn a year on house-building, let alone development of land and township infrastructures.

"At the present rate we will never even get close to this scale of delivery, and the more we fall behind the worse things get."

Disregarding massive overcrowding in formal and informal housing, seven-million people were living in shacks, he said. Two or three families sharing a two-roomed house was "typical".

GERALD REILLY

"We know also that about 50% of the urban population cannot and are unlikely to ever be able to afford formal housing in any shape or form.

"In the PWV area alone, between 1,6-million and 2,4-million people were living in spontaneous shack settlements or backyard shacks in 1987 — and I can assure you the number has not decreased."

Choice

Urbanisation had developed an unstoppable momentum.

"The sooner we realise the choice facing policy makers is between the planned growth of informal settlements in a policy framework, or unplanned spontaneous growth, the more informed our thinking will be.

"We don't have the luxury of wishing those people away."

Controlled informal housing, possible on a site-and-service basis, must become part of overall strategy, Cooper said.

Opening the conference, Deputy Finance Minister Org Marais said government had given a high priority to the provision of appropriate housing as part of urban and rural development.

If SA was not hit by more sanctions "or any other unforeseen disaster, it might just be possible to allocate an increasing proportion of the budget to housing over the next five years — a rise perhaps of 1 percentage point".

Marais stressed if government was to spend on housing on a lock, stock, and barrel basis of the past, eliminating backlogs and meeting growing demands would be gravely prejudiced.

Group areas here to stay, housing conference is told

Pretoria Correspondent

Group areas will exist in the future, but the Government is endeavouring to allow for upward mobility out of these segregated areas into grey areas.

This is according to Dr Dries Oosthuizen in his address at the two-day National Association of Home Builders housing conference, which started in Pretoria yesterday.

Eight people delivered papers at the conference yesterday on the housing market and its future development.

Deputy chairman of Barlow Rand Group and director of the South African Housing Trust, Mr D E Cooper, said South Africa's need for capital would not be solved until inflation had been brought down and there were positive interest rates.

He said the national shortage of low-cost housing was in the region of 800 000 units. In the PWV area between 1,6 million and 2,4 million people were living in shacks, and 7 million people lived in shacks in the homeland areas.

These people could not be helped overnight and the country would have to accept informal housing as part of its policy.

Mr John Mavuso, member of the executive committee of the Transvaal Provincial Administration, said the Government was no longer responsible for the provision of housing for blacks.

Land holding costs were cited by Mr Neville Berkowitz, a consulting property economist, as being one of the biggest reasons for some home builders not showing a profit.

He felt that by using a land inventory data bank, builders could increase profits by up to 33 percent because it would allow them to have details of available stands at their fingertips.

Managing director of the National Building and Investment Corporation of South West Africa/Namibia, Mr G J Merrington, said the housing problems in his country were moderate compared with other developing African countries.

"Existing local expertise, experience and institutions are capable of handling the housing problems, given adequate political support and resources by the incoming government, and provided internationally accepted low-income housing policies are adopted; foreign advisers with extreme views are kept at bay; and adequate foreign aid is directed towards low-income housing."

Private property the way ^{star} to democracy, says Minister

Pretoria Correspondent

The Government saw home ownership as the most important way to implement democracy, and the private sector as the way to decrease the backlog in housing and to provide for future needs,

the Deputy Minister of Finance, Dr Org Marais, said today.

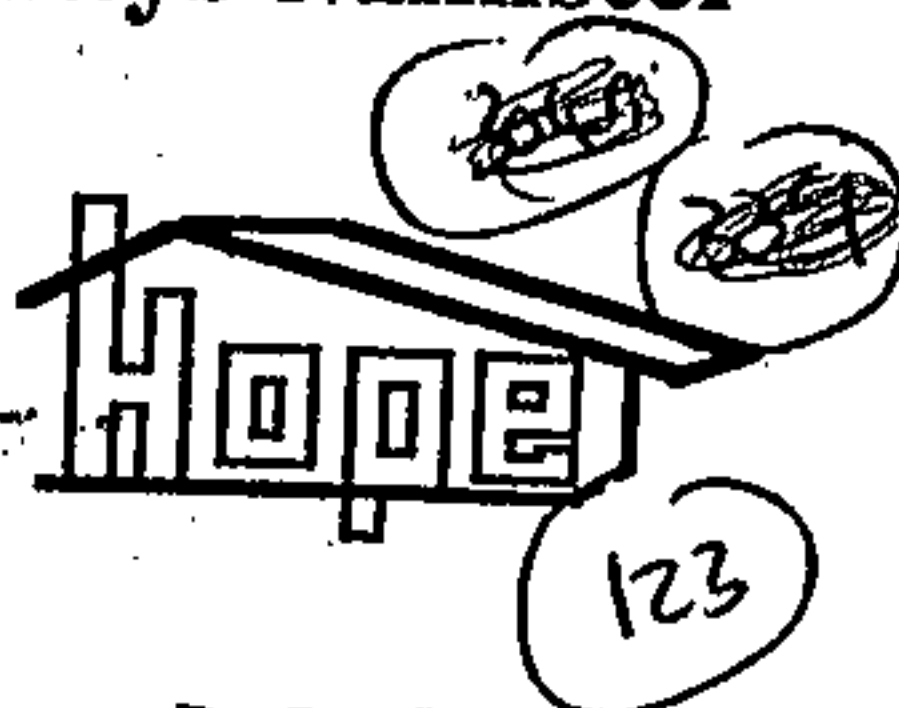
Opening the National Association of Home Builders' (NAHB) housing conference in Pretoria, Dr Marais said in attempting to increase democracy, the Government was faced with increased spending on one side and the need to increase economic growth on the other.

The possibility was that in future the Government would encourage people to buy property and erect "sinkhuisies" and when funds were available build more permanent structures.

He pointed out that at present the average white South African was subsidised by the Government for infrastructure by R1 580 and members of other communities by R600. Although those coming into the democracy process wanted equal infrastructure and subsidies, he said, this was not financially possible.

Dr Marais said the private sector should become more involved in the provision of housing and in particular sub-economic housing.

He said the Government must shift its development role from the economic to the sub-economic field, with the emphasis on the creation of infrastructure.



Downturn in home building

By Frank Jeans

A disturbing trend is emerging in the building industry which could be aggravated even further as a result of the Government's latest economic "freeze".

According to the latest figures from the Central Statistical Service, the total value of building plans passed for March this year fell by 3,4 percent on the value for the corresponding period of 1988.

Taking a particular knock has been the homebuilding sector, with flats and town-house development a real trouble spot, as the value of plans passed plunge by nearly 51 percent.

The building of houses has also experienced a considerable drop of more than 14 percent.

Indications are that homeowners are

giving greater attention to the upgrading of their properties, for the statistics show that the additions and alterations market has had a sharp upturn with values up more than 50 percent.

There was little joy, too in the non-residential sector of the industry, which recorded a 10,6 percent decline in plans passed.

One bright spot is that the value of buildings completed in March jumped by more than 52 percent over the year-ago figure.

New houses on the market rose by nearly 18 percent, while flats and town-houses registered a hearty 99,3 percent improvement and non-residential buildings more than 150 percent.

(123) (123)

Banks cannot resolve SA's housing crisis alone — FNB

GERALD REILLY

PRETORIA — The enormity of SA's housing problem could not be resolved by banks alone, without state aid, First National Bank home loans manager Pat Lamont said here yesterday.

Speaking at the National Association of Home Builders conference at the CSIR, he warned if employers were to play their part they would have to become involved to a far greater extent.

He stressed ever-increasing land and building costs were continually reducing the number of families able to afford a house in the "low cost" sector.

To provide a family unit with finance to purchase a property they could not afford was immoral and irresponsible.

This led to stricter lending criteria which reduced the size of the potential borrowing population. As inflation took its toll fewer and fewer families were able to afford housing.

The first hurdle was the 5%-15% deposit.

An overall strategy should be formulated which transcended individual commercial differences, and addressed the real needs of the community, Lamont said.

Basic shelter

Goede Construction Company MD Pieter Goede said the role of the public sector in the direct provision of housing should be decreased.

Access to basic shelter for as many households as possible should be provided, rather than access to high quality shelter for a few beneficiaries.

Private developers and financial institutions should be encouraged to provide for a lower income market than they currently served.

In SA, with its extremes of wealth and poverty, housing subsidies were essential to house the nation and accommodate urbanisation.

Subsidy schemes should reflect the socio-economic realities of a developing society where government resources were limited, and a significant proportion of the community had very low incomes, he said.

Much could be achieved if all subsidies could be addressed through one directorate or central administration linked to employer subsidies.

● See Page 5

Negotiation is 'a must' to solve crisis

123
ADELE BALETA

GOVERNMENT must negotiate meeting black housing needs with trade unions and community organisations to resolve the financial and political problems bedevilling its housing policy, says author Paul Hendler.

Hendler researched government's urbanisation policy in the PWV area.

In a publication, *Politics on the Home Front*, released today by the SA Institute of Race Relations, Hendler examined the state's orderly urbanisation and housing policies, and the role of black local authorities.

He found government would not be able to provide housing for all urban residents who required it, and it would have to choose priorities.

While negotiation was a "definite option" to the housing crisis, it was unlikely government would follow this path because of the view that dealing with unofficial groups "threatened" state security goals.

Strategy

His research showed that despite the expansion of homeownership, political conflict over housing had escalated. He predicted township instability would continue.

Hendler said material improvements were unlikely to meet the goals of government's "security strategy".

Government had planned to implement its "inward industrialisation" policy — the reliance on local markets as opposed to export markets to create employment — mainly through privatisation and deregulation.

This involved the provision of loan finance to black builders, businessmen and homeowners, the promotion of self-help housing schemes, the sale of existing housing stock, and the allocation of more land for black housing.

All these strategies faced huge obstacles.

Forecast based on specialised computer model

Price of houses could fall 10% by December

CAPE TOWN — An outlook of gloom for SA house sellers has emerged from the latest nationwide survey of building industry trends, conducted by the Bureau for Economic Research (BER).

Announcing the results of its most recent research completed and analysed by the Stellenbosch University-based BER, director Ockie Stuart said computer projections showed that house prices might be down by as much as 10% by December this year, compared with prices house fetched in December last year.

"That is the possible drop indicated, but we at the BER believe that a decline of not more than 5% from last year's peak is more likely," Stuart said.

The bureau based its forecast on projections of the latest industry data, using a computer model developed specifically for house prices by the Rode Report on the SA Property Industry, a market research report published by Cape Town research firm Real Estate

Surveys.

Stuart noted that the current projections confirmed the downward trend in house prices forecast in the bureau's last analysis of the building industry three months ago.

Stuart also pointed out that the latest Rode House Price Index figures, read against the backdrop of the sharp rise in mortgage rates during the first quarter of 1989, suggested that house prices in SA probably peaked during the third quarter of last year. Prices could have been on a plateau since then, "and are in all likelihood drifting lower".

Competition

Stuart noted that architects polled by the bureau had reported a drop in both the value and volume of their work, compared to the same period last year. They also indicated that business conditions for their profession had declined since the last quarter of 1989, with an expectation that the period between April and June this year would show a

further decline.

Among the quantity surveyors, the bureau's study showed a substantial rise in tendering competition compared with the same period last year.

The survey has been given a new format to help business people use its research findings more effectively.

Firms can now see at a glance, in the form of graphs and tables, the rise and fall in such factors as the number of employees in the architectural and quantity surveying firms, the number and value of projects these firms have at sketch plan stage, the number and value of commissions and contracts awarded, the level of business confidence in various sectors of the industry, the value and volume of work being handled by building contractors, changes in financing costs and building demand, shortages of skilled labour, and the supply of bricks, cement and plumbing materials.

Stuart said it was vital for the building industry to use research data when planning. — Sapa.

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BID 15/15/87

Ceiling cost of a home 'should be higher'

Housing subsidy limit is now 'uneconomical'

THE ceiling cost of a home set by government for its first-time buyer's subsidy has become uneconomical, according to National Association of Home Builders' (NAHB) chairman Llewellyn Lewis.

Speaking at the NAHB housing conference this week, Lewis said the association had made representations for a revision of the housing subsidy scheme to Ministers of Housing in all houses of Parliament.

The ceiling on the cost of dwellings liable for the subsidy was raised to R45 000 in August 1988 from the original R40 000.

However, an inflation-linked ceiling should by now have been more than R86 200. Taking into account land costs and special concessions, the total package should

EDWARD WEST

stand at R120 500, rather than the current maximum of R75 000, Lewis told NAHB members.

The NAHB proposed that the scheme be simplified by the introduction of a single ceiling of R100 000.

Concessions for land conditions should be increased to R6 000, and the ceiling and rate at which subsidies were calculated should be revised half-yearly.

'Retrospective'

The association also proposed that state assistance in buying existing homes should be divorced from the present subsidy scheme from July.

Lewis said housing ministers realised the amendments to hous-

ing subsidies were retrogressive, and that hardships in the building industry and difficulties faced by the prospective first-time homeowner could largely be attributed to the rules of the subsidy scheme.

Minister A A Venter of the House of Assembly said his subsidy scheme budget of R28m was barely enough to service existing bonds, let alone assist with new bonds.

□ Deputy-Minister of Finance Org Marais said at the conference an amount equalling 40% of last year's budget would have to be spent to solve SA's housing shortage by the year 2000.

Given the tight fiscal situation in the country, progress would be made if government encouraged larger private involvement in the housing sector.

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Bldg 18/5787

Vista subsidiaries under winding-up orders

By Cathy Stagg

Three more wholly owned subsidiaries of Vista Homes were provisionally wound up in the Rand Supreme Court on Tuesday.

The applications were launched by Trust Bank Africa

Ltd against Grenadine Investment Holdings (Pty) Ltd, Tobacco Investments (Pty) Ltd and 4 KG Properties (Pty) Ltd.

Each of the three property development companies owed the bank about R9,7 million, the aggregate amount owing by Vista

to the bank, for which the companies had signed as surety and co-principal debtors.

The provisional winding up orders were granted by Mr Justice Preiss and are returnable on June 13.

Govt considers segregated schooling in mixed areas

Star 14/5/77

The Government does not anticipate any problems in the provision of schooling within the proposed free settlement residential areas.

Addressing delegates to the National Association of Homebuilders conference in Pretoria, Dr Dries Oosthuizen, chairman of the Committee of Constitutional Affairs, said there were a number of options.

Under the own affairs structure the relevant Minister could presently give permission for

members of other race groups to attend a particular school.

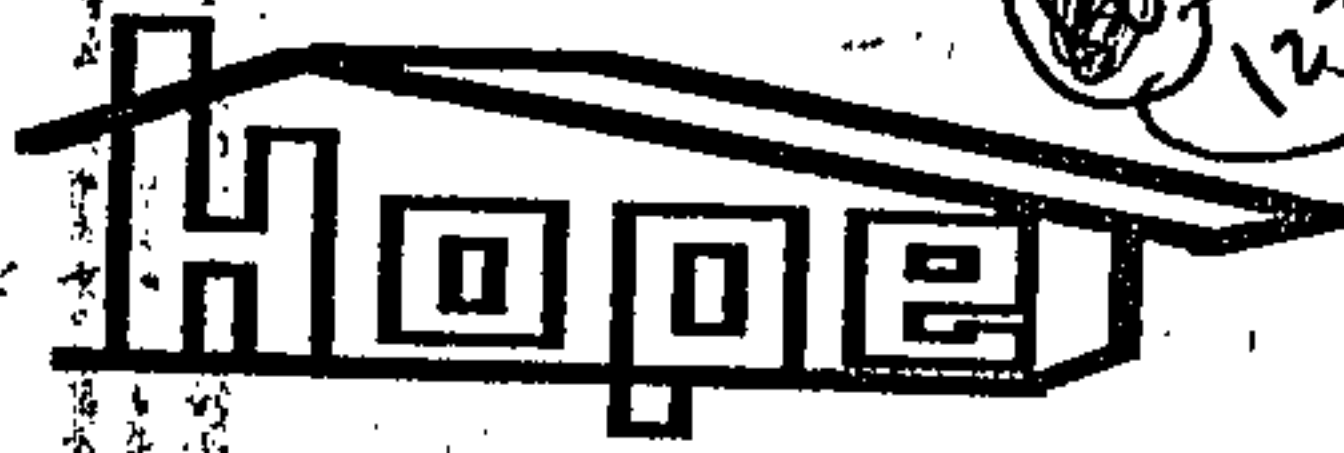
Another option would be for private schools to be set up within a free settlement area.

Private schools are allowed a percentage of "other race groups" within their pupil quota.

Another option would

be for schools within free settlement areas to be racially-separated.

"The present situation in white areas is that Afrikaans pupils travel past English-speaking schools en route to attend an Afrikaans-speaking school. I believe the same situation could apply in free settlement areas."



~~123~~ (123) *Finmail*

little over a year ago. And there is a strong possibility they could rise even further before falling (*Property* April 28).

Predictions are that repossessions could escalate to levels approaching those of 1984-1985, when societies were forced to take action against bond defaulters after interest rates on home loans rose to 23%. By mid 1984, when the bond rate previously stood at 20%, it was estimated that 20 000 home owners had fallen behind with their instalments. Some 5 000 of them had not met their mortgage commitments for three months or more.

Though the situation was probably aggravated by rising unemployment among property owners (not a major factor at present), it is counterbalanced by the fact that many new home owners, particularly at the lower end of the market, took advantage of the 100% bonds being offered and bought to their limit. For them, the massive escalation in bond repayments has made it virtually impossible to meet their commitments.

International auctioneers MD Gus Bonini says 1989 has been exceptionally quiet in terms of repossessed properties being auctioned off, but he expects this to change in about three months.

"The high bond rates will hit the small man, such as young, first-time buyers, particularly badly. How can those people keep their homes when their bond instalments have doubled in a year? I believe we are seeing a repeat of what happened in 1984-1985.

"Ours is not a particularly big auctioneering firm, but at that stage we were auctioning about 10 houses a month."

He points out that homes which are now being repossessed will take a few months before being placed for resale with auctioneers because of the sequestration process involved.

Arthur Trakman, of Trakman's auctioneers, agrees it has been a quiet year for repossessed home auctions. He says the shake-out of insolvencies over the past few years has meant that only the fittest industrial firms have survived. That means fewer business failures and, in turn, fewer people who suddenly find themselves without an income to repay mortgages.

"Nevertheless, the high bond rate could cause a lot of problems for home owners," Trakman predicts.

Property economist Erwin Rode says house prices are being affected by the rising bond rates, but not as severely as is generally thought, because rising interest rates are a symptom of an accelerating economy and disposable incomes are also rising.

"This partially offsets the impact of rising rates on affordability. There could be problems for those who over-extended themselves when the bond rate was artificially low at 12.5%. This could mean a rise in the number of repossessions, but it's not likely to be that bad. The crucial question is whether the approaching recession will be as bad as it was in the mid-Eighties."

REPOSSESSIONS

Storm clouds gather

It's a lull before the storm. The number of home repossessions through failure to service bonds has remained low despite rising mortgage rates. But there is a strong possibility mortgage casualties could rise — along with interest rates.

Bond interest rates are already touching 20% — compared to a low of about 12.5% a

~~123~~ (123) *Finmail*

B109/19/89

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HOUSING: BLACKS MUST BE INVOLVED IN PROCESS

GOVERNMENT might not be able to solve problems in its African homeownership drive unless it involved blacks in choosing priorities and setting targets, SA Institute of Race Relations (SAIRR) research has found.

In a publication, *Politics on the Home Front*, author Paul Hendler said government, in trying to promote African home-ownership, was caught up in a vicious circle of financial and apartheid-based problems.

In spite of the expansion of home-ownership, political conflict over housing had increased. "Material improvements are unlikely to be widespread enough to meet the goals of the 'security strategy' of

THEO RAWANA

government."

The research into the urbanisation policy in the PWV area, showed that government's home-ownership drive was prompted not only by a desire for stability, but was meant to also stimulate growth and employment. "Government aims to implement this 'inward industrialisation' policy by means of privatisation and deregulation.

Inability

"The policy also involves the provision of loan finance to black builders, businessmen and home-owners; the promotion of self-help housing schemes; the sale of existing housing

stock and the allocation of more land for black housing."

Hendler said government's unwillingness or inability to finance housing on a large scale had prompted its stress on privatisation; black entrepreneurs could not compete financially with established white developers and white developers were constrained by the inability of most residents to afford privatised housing.

He concluded government would not be able to provide housing for all urban residents and would have to choose priorities. "These are only likely to enjoy residents' support, and so contribute to stability, if they are negotiated."

National survey shows:

Prices of homes ⁽¹²³⁾ set to fall

AN OUTLOOK of gloom for South African house prices has emerged from the latest nationwide survey of building industry trends conducted by the Bureau for Economic Research.

Announcing the results of its most recent research completed and analysed by the Stellenbosch University-based BER, the director, Dr Ockie Stuart, said computer projections showed that house prices may be down by as much as 10 percent by December this year, compared with house prices fetched in December last year.

"That is the possible drop indicated, but we at the BER believe that a decline of not more than 5 percent from last year's peak is more likely," Dr Stuart said.

The bureau based its forecast on projections of the latest industry data, using a computer model developed specifically for house prices by the Rode Report on the SA Property Industry, a market research report published by Cape Town research firm Real Estate Surveys.

Dr Stuart noted that the current projections confirmed the downward trend in house prices forecast in the bureau's last analysis of the building industry three months ago.

Dr Stuart also pointed out that the

FINANCE STAFF

latest Rode House Price Index figures, read against the backdrop of the sharp rise in mortgage rates during the first quarter of 1989, suggested that house prices in South Africa probably peaked during the third quarter of last year. Prices could have been on a plateau since then, "and are in all likelihood drifting lower".

"They also reported that competition had been less keen in the first quarter of this year, compared with the last quarter of 1988 — an indication that there has been enough work to go around."

Slowdown

Indications were, however, that the general trend for this sector was also toward a slowdown.

Dr Stuart noted that architects polled by the bureau had reported a drop in both the value and volume of their work, compared with the same period last year. They also indicated that business-conditions for their profession had declined since the last quarter of 1989, with an expectation that the period between April and June this year will show a further decline.

Among the quantity surveyors, the bureau's study showed a substantial rise in tendering competition compared with the same period last year.

Barend has a plan to help home-owners

CAPE TOWN — Government had a scheme to help home-owners through difficulties caused by rising interest rates, Finance Minister Barend du Plessis told Parliament on Friday.

He said, at the end of a three-day debate on the Budget's second reading: "We have an attractive scheme to help home-owners through these difficult times. Details will

be announced shortly." (23)

Du Plessis said interest rates would always fluctuate and prospective home-owners should take this into account when buying property. They should not use all the credit facilities available or, when interest rates rose, they would not be able to meet the payments. — Sapa

Rising bond rates causing concern

By Dawn Barkhuizen

A national symposium on the effect of mortgage interest rates on home ownership in South Africa will take place in Johannesburg at the end of July.

The aim will be to devise methods to alleviate the burden placed on homeowners by the severe fluctuations in rates.

The decision to hold the symposium was made at a meeting in Johannesburg of members of the Institute of Estate Agents of South Africa.

Chairman Mr Keith Wakefield said items that would come under discussion were:

- The establishment of a stabilisation fund run on similar lines as those of the maize and wheat boards.
- Insurance policies that would protect the homeowner.
- The introduction of tax-free

investments in financial institutions enabling banks and building societies to lend money at cheaper rates.

Expressing concern over the plight of the homeowner, Mr Wakefield said houses were basic commodities that should not become risk items.

He said there were no indications that bond rates would come down in the near future. There was a need for a mechanism to protect the borrower who, in many cases, had been lured into buying houses when rates were 12,5 percent.

He said there had been a marked increase in the number of householders selling their homes just for the value of the bond.

He warned that increases would also affect tenants, as homeowners would be forced to increase rents.

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The MINISTER: Mr Chairman, there have been no negotiations whatsoever.

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Rent boycotts: rent arrears

*12. Mr W J D VAN WYK asked the Minister of Constitutional Development and Planning:

Whether his Department has authorized or approved the write-off of any rent arrears accumulating from rent boycotts by Blacks in Soweto or in any other areas of South Africa; if so, what are the relevant details; if not, (a) (i) what total amount is owed by Blacks in respect of rent arrears and (ii) in respect of what date is this information furnished and (b) what steps are being taken to recover these arrears?

B1035E

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING (Reply laid upon the table with leave of House):

This matter vests in the Administrators of the different provinces and they have furnished the following information:

No.

NATAL

- (a) (i) R3 105 017,74
- (ii) 31 March 1989

(b) Town committees are constantly encouraged to take active steps to recover outstanding rentals and where justified legal action is taken against offenders.

ORANGE FREE STATE

- (a) (i) R27 045 867,47
- (ii) 31 March 1989

(b) The various Black Local Authorities are collecting rent arrears according to their own approved By-laws.

TRANSVAAL

- (a) (i) R451 903 278 (Mainly Soweto and Lekoa)
- (ii) 28 February 1989

(b) Steps taken to improve recovery of rent and services charges:
By Local Authorities:

HOUSE OF ASSEMBLY

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(a) An action has been launched in which teams of officials go from house to house to collect arrear monies, and this has proved reasonably successful.

(b) In certain instances, mobile offices are used to collect rent and service charges before or after normal office hours.

(c) Defaulters are evicted by court order, and the electricity supply is disconnected.

(d) Personal interviews are conducted with tenants.

(e) Councillors arrange ward meetings with tenants to motivate them to pay.

By the Transvaal Provincial Government:

(f) Meetings are being held between the Administrator and members of the Executive Committee of Transvaal and the Mayors and Executive Committee Members of local authorities to address this issue, e.g. Soweto, Lekoa, Dobsonville, Jouberton and Ratanda.

(g) In cases where nothing is done to bring the council's financial position in order, councillors are discharged and an administrator is appointed, e.g. Diepmeadow, Embalehle and Tokoza.

In order to address the financial problem of local authorities in the Transvaal, working groups, such as the Dr Simon Brand and Dr Deon Brand working groups, have been appointed.

CAPE PROVINCE:

- (a) (i) R73 081 332
- (ii) 31 December 1988

(b) The regional offices of the Community Services Branch are making active attempts on a continuing basis to collect the said accumulated amount in the three regions, in the following manner, namely the —
(a) intensive training of councillors and chief executive officers of local authorities to bring home to them the

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responsibilities attached to their functions;

(b) taking of stringent steps against defaulting debtors by the institution of legal proceedings;

(c) intensive follow-up of unpaid/outstanding accounts of lessors and home-owners and by personal contact with them;

(d) education of Black residents by way of information brochures, circulars, etc. in which the importance of the regular payment of rental and service charges is explained to the residents.

USSR: flight over RSA

*13. Mr W J D VAN WYK asked the Minister of Foreign Affairs:

Whether, over the past 12 months, permission was requested by or on behalf of the government of the Soviet Union to fly over any part of South Africa; if so, (a) who requested such permission, (b) what parts of South Africa were involved, (c) where did these flights start from, (d) to whom did the aircraft concerned belong and (e) what was the purpose of these flights?

B1036E

The DEPUTY MINISTER OF FOREIGN AFFAIRS:

- No
- (a), (b), (c) (d) and (e) fall away.

UNTAG: deaths/injuries of personnel

*14. Mr H J COETZEE asked the Minister of Foreign Affairs:

(1) Whether he has been notified by the representatives of UNTAG in South West Africa/Namibia of any deaths or injuries of UNTAG personnel since the arrival of the UNTAG forces in that country; if so, what are the relevant details;

(2) whether any persons so injured are being treated in South West African or South African hospitals; if so, what are the relevant details?

B1038E

The DEPUTY MINISTER OF FOREIGN AFFAIRS:

(1) The Administrator-General has not been notified in writing, but has been orally notified of the following incidents:

(a) 1 Military officer from Bangladesh was involved in an accident near the UNTAG bus at Suiderhof. He received treatment at the local hospital before he died.

(b) 2 British corporals were involved in a car accident in Ojjiwarongo. One was killed instantly and the other died one week later in the Ojjiwarongo hospital.

(c) A British officer was involved in a fight in which his jaw was seriously injured. He received initial treatment in the Grootfontein hospital but was later sent back to Britain for the necessary surgical treatment.

(d) A few minor cases have also been treated in the local SWA/Namibian hospitals.
(2) No member of the UNTAG personnel has been treated in South African hospitals.

INTERPELLATION

The sign * indicates a translation. The sign † used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Own Affairs: new legislation

Mr F J LE ROUX asked the Chairman of the Ministers' Council:

Whether he still intends having legislation drafted, and introducing it, to give greater and wider effect to the concept of own affairs as defined in section 14(1) of the Republic of South Africa Constitution Act, No 110 of 1983; if not, why not?

B1095E.INT

*The CHAIRMAN OF THE MINISTERS' COUNCIL: Mr Chairman, sections 14 and 15 of the Republic of South Africa Constitution Act are entrenched and may consequently be

HOUSE OF ASSEMBLY

Homes Bill slated by DP ^{Star 24/3/81} (123)

CAPE TOWN — The Indian Ministers' Council has come under fire for proposing housing legislation under which tenants could be evicted without a court order.

The Housing Development Amendment Bill is being considered by a committee of the House of Delegates.

In terms of the legislation, a tenant who fails to pay rent can

be evicted without a court order at the discretion of the director-general of the department or any duly authorised officer.

Mr Pat Poovalingam of the Democratic Party said his party opposed any attempt to by-pass the courts of law.

"We strongly uphold the basic principles of justice and we will oppose their removal by this Bill." — Parliamentary Staff.

Repossessing of homes rising with bond rates

123
2457

By Norman Chandler,
Pretoria Bureau

Statistics published weekly in the Government Gazette show there has been a huge increase in the number of homeowners who have had their homes sold about their ears as a result of financial problems.

The latest edition of the publication gives a total of 205 homes as having been sold by auction or other means as a result of court cases in all four provinces.

Many of the people who have lost their homes are new homeowners, particularly black people

However, with the rising rate of interest for bonds, many people have been unable to meet their commitments and have had to forfeit their properties.

The Government Gazette figures show that the former building society, The Perm, which is now a division of NedPerm Bank, repossessed 58 houses as a result of court action in the past few weeks.

NUMBERS RISE

NedPerm Bank, which has officially been in existence since last month, is listed as having repossessed six homes. The bank was formed as a result of a merger between Nedbank and The SA Permanent Building Society.

The United Building Society and United Bank between them have repossessed 52 homes in the same period, while the next highest number is attained by the Allied Building Society, which has a total of 32.

Virtually every financial institution in the country has been forced to repossess homes.

These include the Natal Building Society (20), Saambou (12), First National Bank, Santambank, the Standard Bank and Standard Building Society, Eastern Province Building Society and the Trust Bank.

● See Page 11.

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**Rent arrears
are R550-m**

24/5/89
5000000
MORE than R550 million was owed by blacks in rent arrears from rent boycotts, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said yesterday.

In reply to a question from Mr W J D van Wyk (CP Witbank), Heunis said his department had neither authorised nor approved the write-off of these rent arrears.

As at March 31 1989, the total arrears in Natal was R3,105 million and town committees were constantly encouraged to take active steps to recover outstanding rentals. Where justified, legal action was taken.

In the Orange Free State, the total arrears — as at March 31 1989 — was R27 045 million. — Sapa.

Bonds: Govt may help

By Derek Tommey

Help is at hand for house-buyers in the lower income groups who are having difficulty meeting mortgage repayments.

The Government is understood to be considering a scheme which will aid the people hardest hit by recent increases in mortgage rates and help remove fears of losing homes.

The scheme will enable house-buyers who cannot meet full monthly repayments to postpone paying part of the re-

payment. The Government will stand as guarantor for the postponed amount.

In the past 15 months the monthly repayment on a R50 000 mortgage bond has risen from R568 to R810 — a 43 percent increase.

When the latest package of economic restrictions was announced almost four weeks ago by the Minister of Finance, Mr Barend du Plessis, he said R50 million would be set aside to assist house-buyers in the lower income groups who did not receive a subsidy.

Economic

200 homes repossessed as interest rate bites

THE spectre of home repossession has become a reality for more than 200 home-owners listed this week in the Government Gazette.

The publication lists details of 205 homes — 46 of them in the Cape — to be sold in execution after repossession by building societies and banks.

And this is probably only the tip of the iceberg, as the financial institutions are known to prefer to keep owners in houses with payments in arrears.

Though banks and building societies have refused to reveal the numbers of houses in repossession, they have consistently said that this step is taken only as a last resort.

It is also usually a last resort for home-owners who will do anything to keep a roof over their heads, including extending their bond repayment period, which usually adds sub-

stantially to the eventual amount to be paid.

Many of those whose homes will be sold from under them are those who took out bonds when the interest rate was 12,5%.

This has risen more than 50% in the past 18 months and another increase in on the cards before the end of the year.

Rising repayments, combined with other increases in the cost of living, have simply snapped these household budgets.

The SA Perm and NedPerm Bank have together repossessed 64 houses in the past few weeks; United Bank and United Building Society 52 and the Allied Building Society 32. The Standard, Trust and First National banks are also listed as having taken judgments against defaulting owners, as are most of the smaller institutions.

Allied raises bond rate to 20 pc

PRETORIA CORRESPONDENT

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THE Allied has announced an increase in its home loan rate to 20 percent — the first building society group to announce an increase in the rate since the Government's latest austerity measures were introduced this month.

Several banks have already announced increases to their mortgage bond rates and the other banks building societies are virtually certain to announce home loan rate increases by the middle of next week.

First National Bank's home loan rate went up to 20 percent on Tuesday while Trust Bank's rate rose to the same level on Monday.

The Allied's increase will apply to new bonds immediately but be effective on existing bonds from July 1.

An Allied spokesman said in its letter to existing bondholders advising them of the latest adjustment, the Allied repeated its prior offer to hold mortgage instalments at their

current levels provided the monthly interest payment was covered.

"Clients who are experiencing difficulty meeting their monthly bond commitments are invited to call on their Allied branch managers to discuss payment options available to them," the spokesman said.

Fixed-rate bonds

The Allied said it had fixed-rate bonds among its range of mortgage products.

The rate on the one-year fixed-rate bond was currently 19,5 percent and holders of traditional bonds who were concerned about the possibility of further increases could switch to this bond on request, the spokesman said.

Allied offers owners a choice

5 Feb 27 1987 (123)

THE Allied yesterday announced an increase in the rate of interest charged on its traditional bond from 19 to 20 percent, but at the same time announced several measures which will help troubled homeowners.

One option would be to switch to a fixed-rate bond, with the rate currently fixed at 19,5 percent. "While this option does not mean a great monthly saving for the homeowners, it does represent some form of security as far as mortgage repayments are concerned for at least twelve months", says Mr Kevin de Villiers, chief executive of the Allied.

In its letter to existing bondholders the Allied has repeated its previous offer to hold mortgage repayments at current levels, as long as the interest pay-

MAGNUS HEYSTEK

ly this is an interim measure and cannot be maintained indefinitely, but at least it will tide some people over troubled financial times."

He also said that in some cases the Allied would have no option but to repossess some houses, but would then consider letting the house to the previous owner until mortgage rates start to decline. "Then the people in question will be offered the choice to repurchase the house," he added.

BOND RATES NEAR RECORD LEVELS

WEA-9
27/5/89
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By TOM HOOD
Business Editor

ALLIED has become the first building society to raise its home-loan rates in the latest round of interest rises, boosting it to a near-record 20 percent.

But home-owners have been told they need not increase their monthly repayments, provided the interest portion of the bond is covered.

Borrowers will pay a near-record 20 percent, an increase of 1,25 percent, from July 1.

Borrowers will pay 20 percent immediately on new loans.

The latest rise means housing repayments have rocketed by 50 percent in little more than 18 months.

Bond rates topped 20 percent briefly at the end of 1984, when a major bank charged a record 25 percent.

Boost

Two banks, First National and Trust, raised their home-loan rates this month to 20 percent and other banks and building societies are expected to raise their bond rates in the wake of the Reserve Bank's all-round boost to interest rates.

Before the new increases bond rates were lower than the prime overdraft rate of 20 percent which banks charge their largest customers.

Allied's rise means a home-owner with a R50 000 bond payable over 20 years will have to find another R50 a month, making the repayment R850 a month.

Repayments on a bond of this size were R568 a month — R282 less — when bond rates stood at 12,5 percent about 18 months ago.

Mr Eskel Jawitz, managing director of JHI Real Estate, said the housing market had held up remarkably well with present bond rates of 18,75 to 19 percent, but it remained to be seen what effect a bond rate of 20 percent or more would have on the market.

The country's largest building society, United, is expected to raise its bond rate by one percent to 19,75, according to Cape Town estate agents, but confirmation could not be obtained last night.

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Chen

Most blacks cannot afford houses

For millions it's life in squatter settlements or on the streets

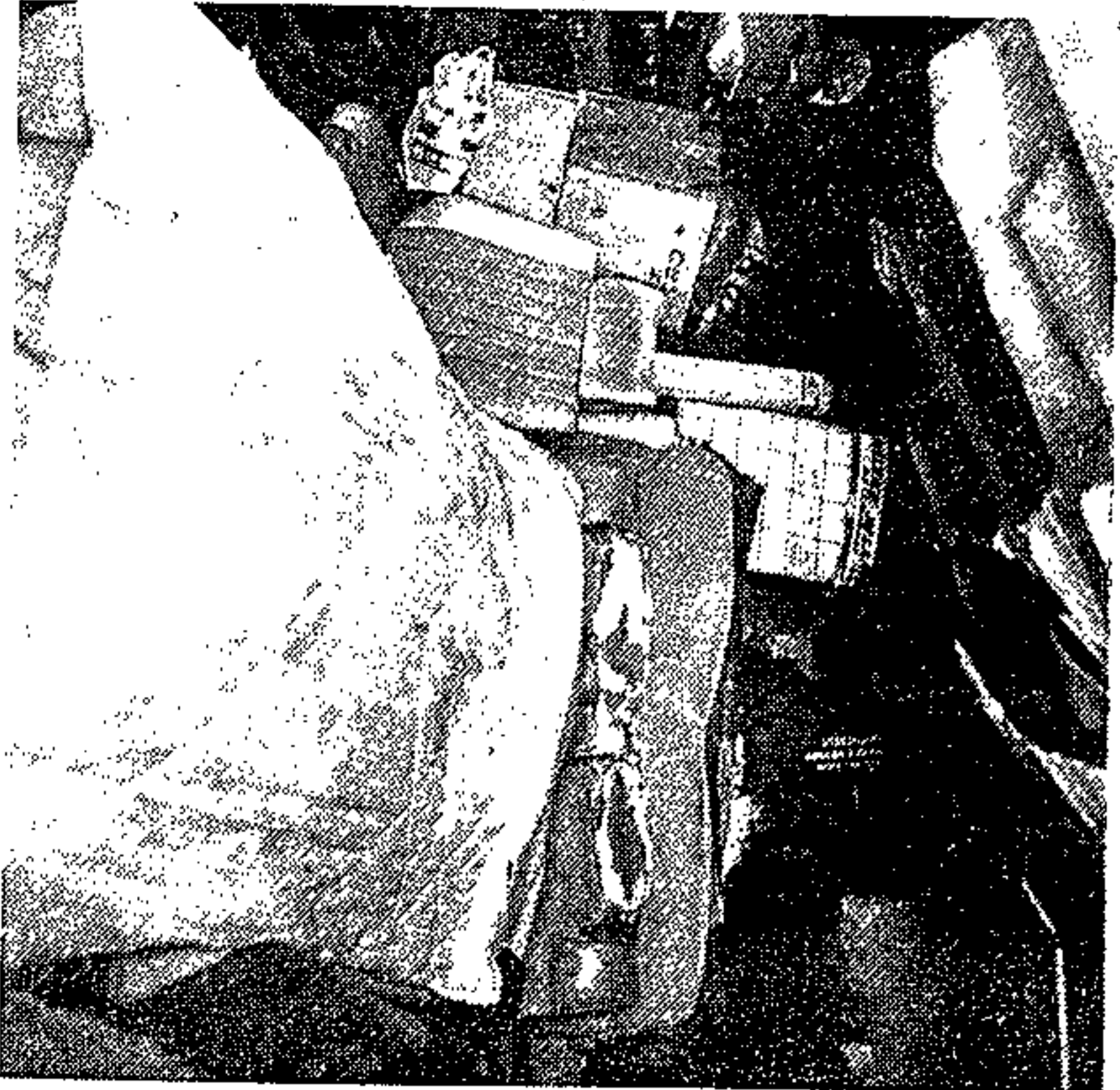
By SOPHIE TEMA

MILLIONS of black South Africans are living in makeshift structures because they cannot afford decent housing.

One of these homeless people is a Soweto man only known as Siphho, who is "monarch of all he surveys". Siphho lives alone in the open veld near the Orlando West sports ground in a rickety lean-to he constructed from mud, stones, rubble and corrugated iron sheets.

Inside the shack Siphho has tried to make a home. You have to watch your head when you enter, as the roof is jagged with loose bits of iron sheets and is very low. His bed is neatly covered with clean blankets and a discarded car seat is his "loungé suite". One corner of the shack serves as his kitchen.

Siphho spends his days eking out a living doing odd jobs and he returns to his shack only to sleep. Neighbours say Siphho has no family, no home, no prospects and no hope.



It may not be a luxury mansion, but to Siphho, his rundown shelter is home.

For many subsisting a stone's throw from Johannesburg home is a vacant lot, a disused mine shaft or the city streets. Others pack squatter settlements like Mshengville in Soweto or the hillsides surrounding Durban, which are over-populated with shacks and huts.

Lack of means to make housing more accessible to the poor and ever increasing prices, has forced many into such a life.

An estimated 71 percent of blacks need a subsidy to afford any housing at all.

According to the SA Institute of Race Relations' *Economic and Social Update*, calculations provided by the National Building Research Institute indicate that about 45 percent of the total black population cannot afford to make any contribution towards attaining a house.

These people need a 100 percent subsidy because of lack of finance. Most live in informal dwellings, Elaine Cosser, *Update* author points out that land shortage, exacerbated by the Group Areas Act, is also a constraint on housing provision.

Update, states that land availability is not only limited by government, but also the resistance by some white communities to black settlements in their areas.

According to *Update*, Joe Taylor of the South African Housing Trust said once land has been earmarked for black development, speculators buy and then sell it to developers at a profit.

Roy Heath, of Innova, (the Urban Foundations's housing utility company), has recommended that the poor be provided with subsidised building materials and that advice centres, focusing on issues such as finance, legal problems and building techniques be considered as a way of making housing more accessible to the poor.

In Daveyton on the East Rand, a pilot scheme has been started whereby residents are to provide the building materials and the labour is provided by trainee builders from the Benoni Department of Manpower.



You have to bend double to get into this Orlando West shack put together from bits and pieces.

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CPW 28/5/89

Housing problem

■ Author PAUL HENDLER looks at two disturbing areas in the townships – home ownership and the plight of black builders. While the government is currently promoting black home ownership, political conflict over housing has increased. The following reports are based on his findings, which appeared this week in the SA Institute of Race Relations' publication *Politics on the Home Front*.

Financial, political restraints increase

■ In trying to promote African home ownership – after decades of doing the opposite – the government is caught in a vicious circle of financial and apartheid-based problems.

It may not be able to solve any of these problems unless African communities are involved in choosing priorities and setting targets.

This emerges from research into the government's urbanisation policy in the Pretoria-Witwatersrand-Vereeniging area.

Despite the expansion of home ownership, political conflict over housing has increased.

Hendler predicts that the potential for instability in the townships will continue. Material improvements are unlikely to be widespread enough to meet the goals of the "security strategy" of the government.

Research shows that government emphasis on African home ownership is not only prompted by a desire to achieve stability but is also meant to stimulate growth and employment.

The government aims to implement this "inward industrialisation" policy through privatisation and deregulation. The policy also involves the provision of loan finance to black builders, businessmen and homeowners, the promotion of self-help housing schemes, the sale of existing housing stock and the allocation of more land for black housing.

These strategies face severe obstacles:

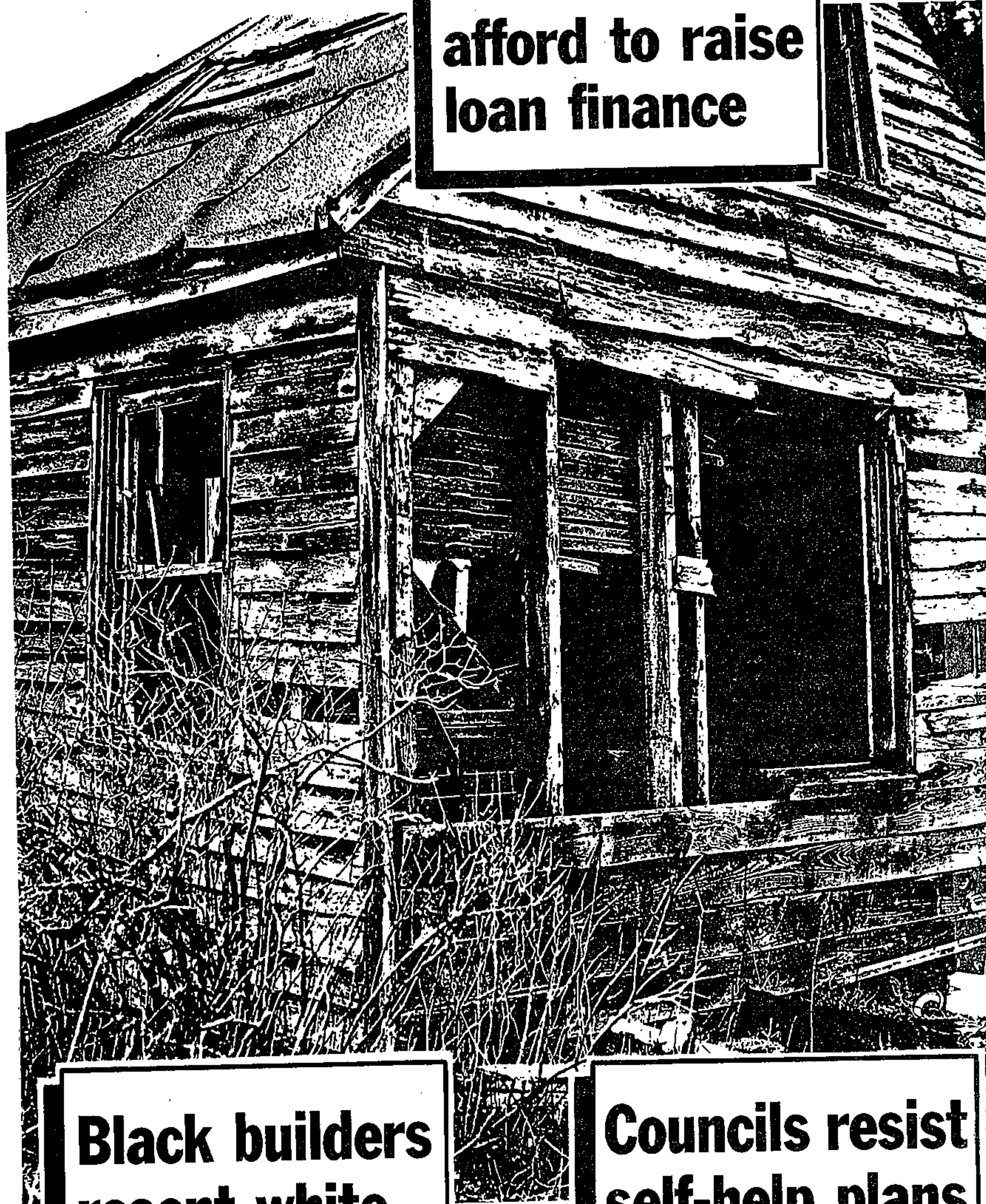
■ The private market has had little impact on the housing shortage because most township dwellers cannot afford loan finance. For privatisation to succeed, state subsidies would have to be vastly increased.

"But it is precisely the government's inability or unwillingness to finance housing on this scale that has prompted its stress on privatisation," writes Paul Hendler in SA Institute of Race Relations' publication *Politics on the Home Front*.

■ Deregulation – the removal of controls over the development of African builders and other entrepreneurs – might generate wealth for some small businessmen and workers but the removal of minimum wage regulations could depress wages and inhibit black consumer power.

■ Black entrepreneurs – a key factor in the "inward industrialisation" strategy – don't have sufficient capital to enable them to compete with established white

Most township dwellers can't afford to raise loan finance



Black builders resent white monopoly of the business

Councils resist self-help plans in pursuit of a fast buck

developers.

■ Self-help schemes, backed by low-interest loans, are hampered by affordability problems. Hendler found that black local authorities were inclined to resist implementing these schemes because they stood to make more money by selling sites to established developers.

■ Attempts to release suitable land for black housing run up against political constraints all along the line.

Because of white resistance, as well as the State's decentralisation strategy, land has been allocated too far away from regional economic centres, thus inflicting increased transport and service costs on those who can least afford them — and cancelling out the attempt to place housing within the reach of those who need it most.

■ Despite "give-away" prices and a concerted selling drive, the sale of government housing stock has encountered consumer resistance.

Hendler reports that many tenants are suspicious of the motive behind the sale.

■ Home owners will continue to pay substantial service charges, which are likely to remain a source of conflict.

Hendler concludes that the government will not be able to provide housing for all urban residents who require it, and it will have to choose priorities.

"These are only likely to enjoy residents' support and so contribute to stability if they are negotiated," he said.

Black builders upset by big developers' attitudes

wages they are able to pay their artisans.

Nevertheless, Hendler's research shows that despite these constraints, African entrepreneurs and artisans have played noticeable roles in township construction work and have made some contribution to capital turnover.

He notes that several bodies now exist which aid small township builders.

BRIDGING FUND

In 1985 the Small Business Development Corporation set up a small builders' bridging fund and had granted 2 721 loans, totalling R57.5 million, by April 1987.

In early 1986 the IBM Project South Africa invested R300 000 in a pilot scheme for Soweto builders and by 1987 the original sum had rolled over R1,2 million and the fund had invested a further R1 million.

By then one contractor was drawing his fourth loan from his fund, six their third and five their second loans.

Nevertheless, the financial inputs from the SBDC and IBM projects are insufficient to make up the financial backlog and consequently the progress made by black builders is slow.

Hendler predicts that black builders will have little impact on employment and housing provision "as long as official policies limit housing development in the townships and a variety of political and other practices continue to obstruct African builders".

■ POLITICS ON THE HOME FRONT is available from the Institute of Race Relations, PO Box 31044, Braamfontein at R10,75.

BLACK local authorities (BLA) have alienated the fledgling group of black builders who might otherwise have been their allies, according to author Paul Hendler.

Hendler says that the government had hoped that African entrepreneurs would develop an interest in township stability and oppose the mobilisation of residents around housing issues.

But black builders so resent the BLAs' preference for large, white-owned development companies, that they now use rhetoric similar to that of extra-parliamentary groups.

Hendler says that while black building entrepreneurs are pivotal to the government's economic strategy, there are limits to what they can achieve.

ECONOMIC POWER

Their problems are rooted in their lack of political power — and they have to cope with the Group Areas Act, the large developers' monopoly on finance and economic power and collusion between them and black local authorities.

They are also hampered by the lack of serviced sites, red tape, limited access to education and training and an inability to acquire discounted materials.

Hendler adds that in order to compete with white developers, the African builders have to cut their construction costs by depressing wages.

In addition, African builders have to compete with each other for sub-contracts, which further depresses the

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Increase in homes being built

By Norman Chandler,
Pretoria Bureau

There has been a substantial increase in the number of residential and other buildings completed in the first quarter of 1989.

Flats and town housing shot up by 47 percent compared to the corresponding period last year, according to Central Statistical Service (CSS).

The number of houses completed in the same period increased by 23,5 percent.

The statistics are collated annually from returns submitted by 22 municipalities and surrounding areas. They represent about 90 percent of building activities financed by the private sector and public corporations.

Whites still retained the lion's share of houses completed, with an increase over the previous year of 41,5 percent. But blacks are not far behind, and houses completed were nearly 30 percent more than in 1988.

RUSH TO BUILD

There was also a 23,5 percent increase in coloured housing while the figure for Asiatics rose by just over 9 percent.

In 1987, the number of houses completed during January, February and March averaged at slightly more than 250 each month; this year, the respective totals are 338, 396 and 412.

The rush to complete building operations on residential dwellings, in particular, is part of the Government's programme to house as many people as possible in their own homes.

The value of building plans passed for the first three months of this year also increased.

The CSS says that an 11,6 percent improvement had been recorded compared with last year.

But the vast majority of plans were for office accommodation (60,4 percent) and housing demands dropped during the period, a decrease of 7,5 percent over last year for houses, and 28,6 percent for flats and townhouses.

State policies are causing heartache to homeowners

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ster 3/6/89

FRANK JEANS

A LEADING estate agent has slammed the Government for causing constant upheavals in the property market which cause heartache for homeowners.

Mr Scott McRae, managing director of Camdon's Nationwide, blaming Pretoria for the wild fluctuation in interest rates and tax policies, which he sees as discouraging homeownership, said: "There was a time when South Africa was almost a tax haven. Today the middle-class South African is carrying a disproportionate tax burden and is among the most heavily taxed individuals in the world.

"He is further disqualified from the benefits of tax allowances on his bond rate, such as those enjoyed in Britain.

"The housing industry might well be forgiven for believing that the Government is determined to turn South Africa into a nation of vagabonds without any fixed property."

He compared the South African situation to the "economic miracle" of Britain under Mrs Margaret Thatcher, which encouraged property ownership — creating a broad base of wealth and employment opportunities.

"In South Africa, we appear to have a 'couldn't-care-less' attitude towards home ownership.

"Little is done to encourage home ownership other than a meagre subsidy, which in any event is long overdue for upward revision."

Mr McRae sees a strategy to remove all the boom-and-bust conditions in the housing market:

- A forum to thrash out an overall blueprint for the industry.
- Adherence to a policy of strict ceilings on bond rates, irrespective of the overall pattern of interest rates.
- Allowances on mortgage payments, or at least the interest portion, for tax purposes.
- Maximum bond repayment periods to be 35 years as a standard policy.
- Release of the vast pool of insurance funds into the domestic housing market.
- Reduction on statutory transfer fee costs, a portion of which is tax.
- A scientific inquiry into non-traditional building methods via the agreement system, so opening the way to wider use of less expensive building materials.
- An adjustment to the rule-of-thumb system that bond repayments must not exceed 25 percent of salary.
- Elimination of bottlenecks in the land proclamation process, which continue to hold up developments and push up holding costs.
- Elimination of over-regulation of the industry, such as that being experienced in retirement village developments, the result of which will see prices rise drastically.

"At present, there is a total lack of overall planning for the property industry," says Mr McRae. "It is simply allowed to drift from boom-to-bust along with the rest of the economy."

● Illovo's magnificent four — each sold for R1 million. See today's PROPERTY GUIDE.

DP firm on group areas

PETER FABRICIUS Political Correspondent

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CAPE TOWN — The Democratic Party has reacted angrily to suggestions that it has "gone soft" on group areas, or, for that matter, free settlement areas.

Mr Tian van der Merwe, the DP group areas spokesman, said this week the party remained "implacably" opposed to group areas.

Free settlement policy 'inadequate'

He said it had made this clear in a resolution on group areas which was passed by a group areas conference of city and town councillors last weekend and ratified as official DP policy by the DP national board in Cape Town on Wednesday.

The DP group areas policy was the same as that of the old PFP, he said.

The DP policy resolution had expressed "unequivocal opposition to the group areas system" and concern for the damage it had done.

It has also stated that the Free Settlement Areas Act was "inadequate to undo the harm caused by the Group Areas Act cannot satisfactorily deal with urban problems created by demographic pressures and housing shortages", and was "badly flawed in terms of the prescribed procedures".

However, both the DP now and the PFP before it, had accepted that the Free Settlement Areas Act could be used to open up whole municipal areas if the Group Areas Act could not be scrapped.

Municipal areas

The PFP federal council had resolved in November last year that it would "use the mechanisms created by the Free Settlement Areas Act to have whole municipal areas opened to all, rather than only pockets within municipal areas".

The DP had taken the same approach because, like the PFP, it believed most of the problems which would be caused by the Free Settlement Areas Act were related to opening up small areas or pockets within cities.

The DP group areas policy ratified this week had stated that "the creation of isolated small free settlement areas will place such areas under extreme population pressure, thereby aggravating racial insecurity and tension and creating major

socio-economic problems". Mr van der Merwe said these problems could be overcome if whole cities or towns were opened.

Whether this was done by suspending the Group Areas Act throughout a city — as the Cape Town City Council wants to do — or declaring a whole city a free settlement area, was immaterial.

Though it is clear that the DP has not changed its position as far as whole cities and towns are concerned, it is the approach to small pockets being opened within cities, that is putting it on the spot to some extent.

This emerged at the Johannesburg city councillors conference where DP co-leader Mr Wynand Malan said that voters were tending to interpret the DP's opposition to opening of areas as a form of protection of affluent whites against less affluent blacks.

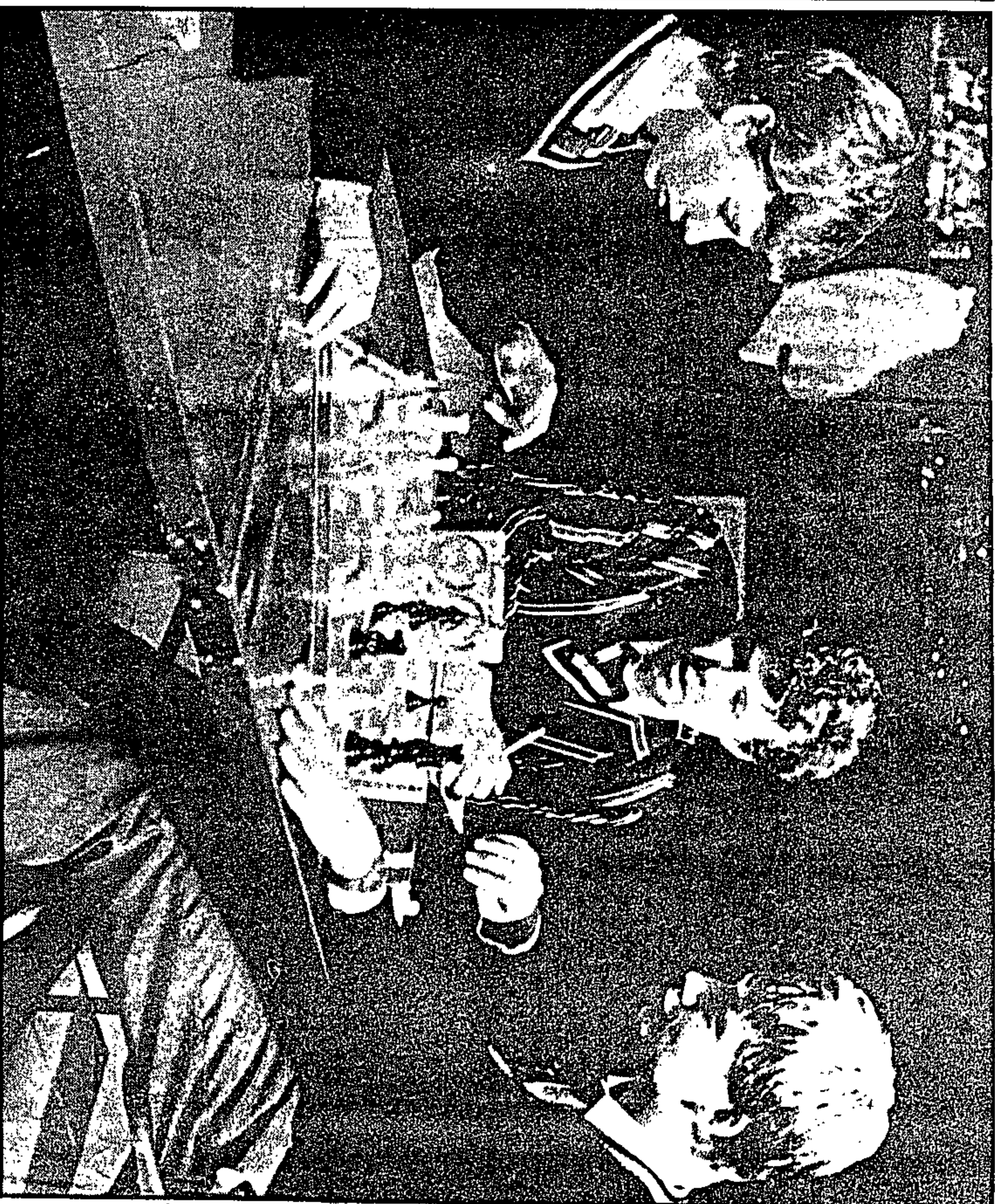
And DP leader in the Johannesburg city council Mr Tony Leon had remarked that many people in affluent Johannesburg suburbs were prepared to lead the way in opening up their suburbs.

Mr van der Merwe said in an interview after the conference that the DP's approach would be that, although DP city and town councils themselves would not apply for isolated pockets to be opened, they could in certain circumstances support such applications by others.

This was not really a change in policy as the PFP had been "silent" on this question. Mr van der Merwe said the DP's approach was that, if it appeared that its policy guidelines could be met in opening up a pocket, it would support the application.

The guidelines were to try to avoid placing these areas under extreme population pressure, thus aggravating racial insecurity and tension.

Moving 24-hours ahead as lads plot Guinness record



BE-KNIGHTED CHESS: It was a long night for three boys from the Florida Park High School (from left) Justin Fox, James Fox and James Carolin — and there was still a long way to go today in their bid for a new world record and a place in the Guinness Book of Records. Here they are gearing up for their midnight start to the bid for a world record of the most moves made in a 24-hour period, at the Westgate Fountain Court. The boys are raising funds for a chess tour to Natal in July. ● Photograph: HERBERT MABUZA.

Interest to be pegged at 17 percent for desperate families

HOW MANY BOND PRINCES

S Times 4/6/89

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By ANDREW GILLINGHAM

INTEREST on home loans will be pegged at 17 percent to help cash-strapped people who are on the verge of losing their houses.

The bold rescue plan will be supported by the Government and the building societies. It is designed to soften the impact of soaring interest rates (now as high as 20 percent) on many thousands of people who face the forced sale of their homes because they cannot keep up monthly payments. This is how the scheme will work: Bond-holders in need will be required to pass a tough means test. If they are found to be in imminent danger of becoming homeless, interest on their bonds will be frozen at 17 percent.

However, they will have to continue paying 17 percent — even if the interest rate later falls below that figure — until they have paid off the emergency cushion.

The Government will underwrite the money needed by the building societies to extend what amounts to bridging loans to potentially defaulting clients. Details of the unprecedented scheme to stave off disaster for thousands of people have been kept under wraps because last-minute details still need to be ironed out.

Andrea busts beauty barrier!

By DOREEN LEVIN

FORMER Miss South Africa Andrea Stetler has finished in the top 10 of the Miss Universe contest — as Miss Germany.

She was chosen ahead of 69 other international beauties in the Miss Universe Pageant held in Cancun, Mexico, the dream ending to a four-year success story.

Dutch model Angela Visser, 22, won the Miss Universe 1989 title.

But for Andrea, just being in the Mexican paradise as a participant in Miss Universe was the culmination of years of hard work and planning.

When politics cheated 24-year-old Andrea of the chance to represent South Africa at the Miss Universe Pageant in Miami, Florida,

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AN died of a bullet after her sister x shots at what eved to be an in- early yesterday

dead woman is eta du Preez, 22, mburg. She and and, André, were her sister, Mrs Griesse, 32, at red smallholding rakpan district.

Du Preez, who the bathroom e tragedy oc- was taken to hos-



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PICTURE SPECIAL: PAGES 3



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Details of the unprecedented scheme to stave off disaster for thousands of people have been kept under wraps because last-minute details still need to be ironed out.

Snags

But yesterday Dr Dawie de Villiers, Minister of Public Works and Land Affairs, confirmed that the plan was on the point of being implemented.

"The plan is aimed at home owners who need help. The Government expenditure involved is minimal.

"There are some snags which are delaying implementation, but the department is working hard to iron these out as soon as possible," said Dr De Villiers.

Reaction from the institutions was rapid and positive.

Association of Building Societies chairman Bob Tucker said: "If we can work out the technical difficulties, the plan will unquestionably help people who are in distress — it will save their homes."

Only a year ago it was possible to obtain bonds at a rate as low as 12.5 percent. Now most institutions are raising them to between 19.75 and 20 percent.

Behind

The move — instigated by the Government — is in response to the increasing number of people who have been forced to sell their homes. There were 245 in just one recent Government Gazette. Added to this is a number of bond-holders who have fallen behind with their repayments.

For the Government, the high interest rate is an increasing embarrassment in an election year.

Informed sources said the State had considered offering a direct interest rate subsidy — but the cost would have been enormous.

Yesterday, some economists said that, while the scheme would help people in distress, it might have the effect of circumventing the tight money policy of the Reserve Bank which — by allowing interest rates to find their natural level — was designed to squeeze inflation out of the economy.

Strict

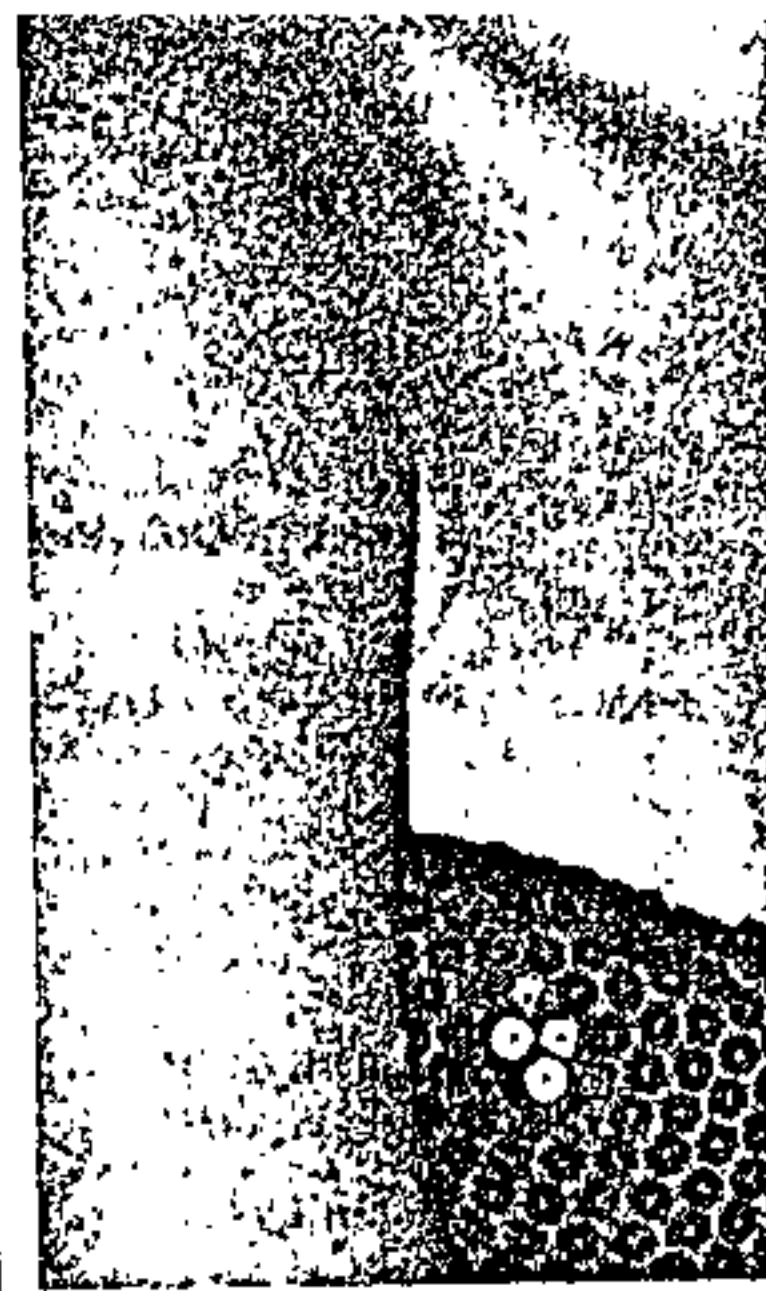
They warned that unless means tests were strictly applied, the frozen-bonds scheme would amount to a new form of credit creation that would leave money in the hands of the public for spending on consumer products.

Yesterday Dr De Villiers said assistance would be available only to those in real danger of losing their homes.

The scheme did not offer a free ride, nor was it a subsidy. In effect, it provided bridging loans that would eventually be repaid.

Dr De Villiers said: "The

□ To Page 2



Andrea Stelzer — pictured

PICK 6

TURFFONTEIN: Selecting seemed easy for 1354 punters who each collected R998,60 from a R1 33 158 pool. Combination: 10; 5,6; 6; 20; 8; 6.

MILNERTON: Twenty one ticket holders shared the R338 787,50 pool reaping the R1 2099,50 dividend. Winning numbers: 2,9; 10; 11; 6; 8; 1,2.

GREYVILLE: The payout returned a dividend of R1 000,50 to 246 punters. Winning combination: 3; 3; 9,1,4; 20; 4; 1.

FAIRVIEW: Seven punters shared the R29 710 pool collecting R3 183,20 each. Winning numbers: 1; 2; 2,6; 1,3,4; 7; 11; 2.

WP victory

RAMPANT Western Province crushed Transvaal 35-15 yesterday, Northern Transvaal whipped Eastern Province 50-6, and Free State beat Natal 21-16.

Bank heist

FIVE armed men held up the First National Bank in Prospecton, near Durban, yesterday and got away with more than R200 000.

Shark bite

A POLICEMAN, Sergeant Leon Krause, 22, is in a satisfactory condition after being bitten by a shark while skin-diving 20m off Gonubie beachfront, East London, yesterday.

Fight for life

DOCTORS fought to save the life of Iran's Ayatollah Khomeini, 86, after a turn for the worse yesterday.

Pricy desk

AN 18th-century mahogany desk/bookcase sold for R31-million at Christie's — the highest price ever paid for a single piece of furniture.

THE contents of this issue of the Sunday Times have been restricted in terms of the emergency regulations.

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Consumers say yes to bond aid but . . .

The Argus Correspondent

JOHANNESBURG. — Consumer groups today welcomed the government's plan to provide bridging loans to struggling home bond holders.

But they were unhappy that only lower and middle income people would benefit from the plan.

This follows the confirmation yesterday by the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, that the government was looking at ways of reducing interest rates for certain home-owners to 17 percent from 20 percent.

Means test

This is intended to soften the impact of soaring interest rates on thousands of people facing the repossession or forced sale of their homes because they cannot keep up monthly payments.

Bond holders in need will have to pass a strict means test, and if they pass, interest

on their bonds will be frozen at 17 percent.

However they will have to continue paying 17 percent until they have paid off the emergency cushion, even if the interest rate later falls below that figure.

Statement later

Dr de Villiers warned that a number of problems could sink the initiative, and that the proposed measures might require parliamentary legislation.

Dr de Villiers would hold formal discussions with the banks and building societies on June 20 after which a statement would be issued, a spokesman for his department said today.

Meanwhile Democratic Party sources questioned the Government's commitment to come to the aid of bond holders, asking why action was not taken during the current session of Parliament.

The latest government gazette shows that a further 171 house owners have lost their homes, bringing to over 500 the number of repossessions ga-

zeted over the past three weeks.

Many of the affected people in the Transvaal and Natal are blacks while, for the first time, a large number of coloured homeowners in Mitchell's Plain have also lost their homes.

Coloured and Indian homeowners are also to receive help with rentals for houses built with funds from the Housing Fund will rise minimally.

Increases will come into effect on July 1, when people earning up to R450 a month will pay R5 more, R451 to R800 will pay R10 more and those earning more than R800 will pay R15 more.

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ACCUS 5/6/89

Timeshare rules to be toughened

By Frank Jeans

8/22/81 3/16/81 123
The big stick is coming out to keep even stricter control of the timeshare industry.

Angered by the bad publicity surrounding timeshare at present, the South Africa Property Owners Association (Sapoa), which initiated the code of ethics for developers and assisted the Government in formulating the Timeshare Act, plans to take a much tougher line on irregularities within the industry.

"The Timeshare Control Act, along with the code of ethics, are considered to be among the best measures of their kind in the world," says Mr Peter Erasmus, Sapoa's executive director.

"Yet it has become necessary to tighten the screws on those developers who will not toe the line."

The Sapoa director believes the timeshare industry has reached the watershed mark and now needs tighter self-regulation.

For a start, the association will now be stricter when granting approval to developers.

"Now that developers have had time to sort out their teething problems, there is no reason why we shouldn't raise standards even higher for our own members in order to make membership more meaningful," says Mr Erasmus.

The Sapoa timeshare membership application form is now being revised and higher standards will be required.

"Those who do not meet our revised minimum standards will be asked to leave Sapoa and this will deprive them of using our logo," says Mr Erasmus.

"Sapoa is on the warpath against developers practising irregularities."

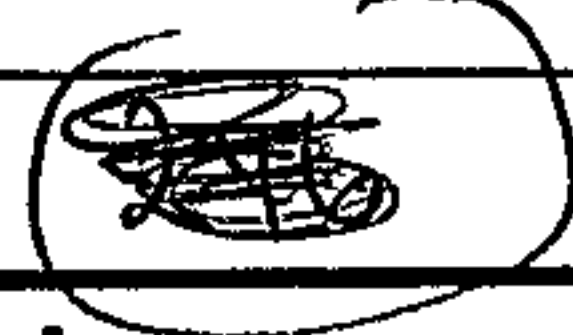
He says there are "only a few rotten apples around", but that they are giving the industry a bad name and his association intends to stamp out all unethical activities.

Sapoa criticises the Government for not imposing its own Acts of Parliament by prosecuting offending developers. Mr Erasmus sees little point in having a law if it is not upheld and if irregular developers feel free to flaunt it.

"To control delinquents in the industry, Sapoa is presenting to the Government a dossier of malpractices that have been reported to the association.

"It will be difficult for the Government not to take notice of hard, factual reports of irregularities and action is expected to follow," he says.

Star 5/6/87



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'Nothing for higher income bondholders'

Consumer groups welcome moves

By Kaizer Nyatumba

Consumer groups today welcomed the Government's plan to provide bridging loans to struggling home bond-holders, but expressed unhappiness about the fact that only lower- and middle-income people would benefit from the plan.

This follows the confirmation yesterday by the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, that the Government was looking at ways of reducing interest rates for certain home-owners to 17 percent from the current level of up to 20 percent.

The plan is meant to soften the impact of soaring interest rates on thousands of people facing the repossession or forced sale of their homes because they cannot keep up monthly payments. It will temporarily peg home loans at 17 percent.

Strict test

Bondholders in need will have to pass a strict means test, and if they are found to be in danger of losing their homes interest on their bonds will be frozen at 17 percent. However, they will have to continue paying 17 percent until they have paid off the emergency cushion, even if the interest rate later falls below that figure.

Dr de Villiers warned that a number of problems, including

costs and legalities, could sink the initiative.

Further investigations to determine the viability of the schemes would be undertaken this week, he said.

Leading bankers said the scheme would probably apply only to houses with a maximum purchase price of R90 000.

The chairman of the South African Consumer Union, Mrs Lillibet Moolman, today cautiously welcomed the move, but said it was unfair that people in the higher-income group would not benefit.

The chairman of the Consumer Foundation, Mr Johann Verheem, welcomed the plan "because it is going to assist consumers, although it is unfortunate that the rate of loans increased to such an extent that it is necessary for the Government to subsidise the interest rates".

Home-owners with bonds of R100 000 have seen their repayments rocket by 50 percent from R1 140 to R1 700 a month since January last year.

The proposed tough means test before people can be helped was "very important so that only people in desperate need of help could use the plan" to avoid abuse of the scheme, the president of the Housewives' League of South Africa, Mrs Lyn Morris, said today.

● The Star's Political Staff reports the aid plan is on hold at least until June 20.

Democratic Party sources questioned the Government's commitment to come to the aid of bondholders, asking why action was not taken during the last session of Parliament.

A spokesman for Dr de Villiers said today the Minister would be holding formal discussions with banks and building societies on June 20 after which a statement would be issued.

● The Star's Pretoria Bureau reports that the latest Government Gazette shows a further 171 owners have lost their homes as a result of repossessions by building societies and other financial institutions.

First time

Many of the affected people in the Transvaal and Natal are blacks and, for the first time, a large number of coloured home-owners in the Mitchell's Plain area of the Cape Peninsula have also lost their homes.

The United Building Society repossessed 64 homes, Ned-Perm Bank, of which the SA Permanent Building Society is part, 49, and the Allied Building Society 36.

The remaining institutions involved are Saambou Building Society, Natal Building Society, Cape of Good Hope Bank, the Eastern Province Building Society, First National Bank, African Bank and KwaZulu Finance Company.

Pienaar may never play with...

State bond help

123
2300
Soweto 6/6/84

CONSUMER groups yesterday welcomed the Government's plan to provide bridging loans to struggling home bondholders, but expressed unhappiness about the fact that only lower and middle income people would benefit from the plan.

This follows the confirmation by the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, that the Government was looking at ways of reducing interest rates for certain home-owners to 17 percent from 20 percent.

House prices 'won't plunge'

By Frank Jeans

While the economic slowdown and the high level of mortgage rates are expected to have an adverse effect on the property market, a dramatic plunge in the prices of homes is unlikely.

In his latest *Quarterly Housing Review*, Dr Hans Falkena, economist of the United Building Society says: "House prices are already low particularly in relation to replacement costs.

"In addition, when income levels are taken into account, houses are more affordable than at any time during the past decade and this indicates that demand for homes might well remain structurally strong despite the weaker economic activity."

Against this background, the United expects house prices to

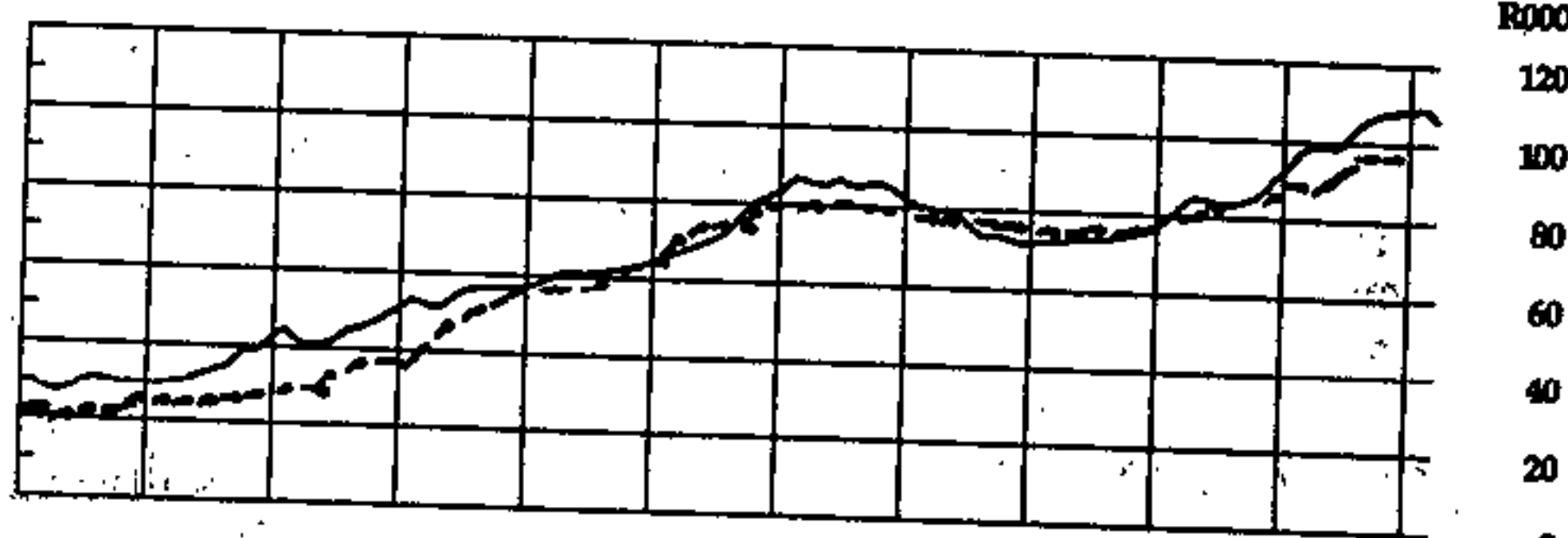
rise by about 10 percent this year — significantly below the expected inflation rate of 15 percent.

Dr Falkena reports an average increase of 8 percent in house prices during the first quarter of this year on a year-on-year basis.

The price of a medium-size property is currently about R92 000, representing an increase of roughly 2 percent on the previous quarter.

Larger houses trade at nearly R130 000 and smaller homes at R73 000.

"A narrowing in the price differential between new and existing houses can be expected to develop as a result of a slowdown in economic activity in general and the property market in particular," says the review.



Average house prices (—new houses —existing houses)

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[scribble]

Star 6/6/87

Confusion over bond aid plan

CMF Trans 6/6/89 123

By MEG BRITS

NEWS of a government plan to help struggling bond-holders through banks and building societies into confusion yesterday.

Senior spokesmen for several institutions said yesterday they had no details of the proposed scheme and were unable to interpret how it might affect those who qualified for it.

They also said they had no idea how a qualifying means test would be applied.

Reports at the weekend said the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, had confirmed that his department was working out the

details of such a package with banks and building societies.

And Finance Minister Mr Barend du Plessis said R50-million would be set aside to help battling home-owners.

Expectations are that the bond rate will be pegged at 17% for those so far in arrears with bond repayments that they are in danger of losing their homes — after they have passed a tough means test.

Many also believe that this would stave off disaster for many bond-holders who took out mortgages at 12,5% and have watched their repayments rise more than 60% in the past 18 months.

If the rate were pegged at 17%, a person with a R50 000 bond over 20 years would pay R734 a month or R116 less than at 20%. A person with a R100 000 bond over 20 years would pay R1 467 a month, or R233 less.

The government is expected to underwrite the amount of the difference to the financial institutions until such time as rates drop again.

It is not clear whether the scheme will take the form of a loan, to be paid back in monthly instalments once a bond-holder has passed his personal crisis, or whether the amount outstanding will be capitalised into the bond.

Metboard property offer

123

Star 2/6/89
Finance Staff

Trust company, Metboard, is offering the public an opportunity to participate in a Triple AAA tenant commercial property.

The address is Picton Place, Parrow, Cape Town and the offer involves a total of 4450 share blocks at a price of R10 000 each.

According to Metboard this property, located in the prime business area, is an extremely secure investment. Sanlam and Santam occupy 77 percent of the space and their existing leases have another five years to run. The remaining part of the property is occupied by sound service and professional concerns.

Metboard, which handles the administration, rent collection and maintenance of the property has forecast that syndicate members could receive a cumulative return of 128,5 percent over the next five years. Of this, about 63,05 per-

cent would be capital growth and 65,45 percent income.

In other words, investors can look forward to a compound return (capital and income) of nearly 18 percent a year for the next five years.

Mr Barry Kalkhoven, General Manager at Metboard says: "Property syndicates have become extremely popular in recent times as they allow the individual access to an investment which is normally beyond a private investor's reach".

"Since we entered this market in 1987 we have put together seven such property syndicates. All have proved to be extremely successful."

Although Metboard advises investors to have a longer-term perspective, they offer the assurance that withdrawing from any syndicate can be done with ease.

Hard-hit bond holders aided up to R116

Political Staff and Business Staff

HOME-owners could save up to R116 a month in loan repayments if they qualify for the government scheme to help those who are struggling under soaring interest rates.

The scheme is restricted to home-owners "in real difficulty", according to Dr Dawie de Villiers, who announced the scheme last night.

Building society sources believe those most likely to benefit are house-owners outside the white group.

Home-owners can apply for a reduction of the mortgage bond rate to 17 percent from the new level of 19,75 percent. The balance will be capitalised, which means they will be paying interest on the interest "saved."

CONTINUE PAYING

They will continue paying at 17 percent if rates drop below that figure until they have wiped out the interest capitalised.

The concession applies only to bond-holders whose outstanding loan is less than R60 000 and whose property is valued at less than R80 000.

The concession will be at the discretion of the banks and building societies.

A home-owner who gets the concession and has a R60 000 bond will pay R880 a month instead of R996, saving R116. A R50 000 bond-holder will pay R733 instead of R839, saving R106, while a home-owner owing R40 000 will pay R587 instead of R671, saving R84.

Dr de Villiers said the State would help with a guarantee of the repayment of the deferred portion to a financial institution.

The arrangement would apply for three years only to loans granted before May 1.

Dr de Villiers warned home-owners not to "overlook the adverse long-term financial implications contained in the capitalisation of interest".

The chairman of the Association of Mortgage Lenders, Mr Bob Tucker, emphasised that "only home-owners in real difficulty should apply for relief".

star 9/16/89

Mortgage aid plan welcomed — with note of caution

123

By Sue Olswang

The guarantee scheme announced by the Government to assist homeowners experiencing difficulties in making payments to financial institutions has been widely welcomed in many quarters, but not without words of caution.

In a statement today, Mr Bob Tucker, chairman of the Association of Mortgage Lenders, welcomed the Government's proposed scheme because it was specifically intended for the homeowners in "real difficulty".

TEMPORARY

Mr Tucker said: "It is intended for the homeowner who is endeavouring to keep his home in the face of the burden of increasing lending rates."

He stressed, however, that only homeowners in real difficulty should apply for relief under the scheme because there was no reduction in interest charges, merely a temporary reduction in the instalments.

"This a guarantee to save houses which otherwise would be lost, it is not a subsidy of any kind. Relief under the scheme is at the complete discretion of the financial institutions," he said.

According to a statement from Dr Dawie de Villiers, acting Minister of Public Works and Land Affairs, the proposed scheme will permit a homeowner to capitalise the increase in the instalment which results from an increase in interest rates exceeding 17 percent.

This arrangement, he said, will

apply for three years at the utmost and will be applicable to existing loans granted prior to May 1 this year. The current outstanding amount must not exceed R60 000 and the present available valuation of the property must amount to a maximum of R80 000.

Dr de Villiers said homeowners who decide to participate in the scheme will have to conclude an agreement with the financial institution stipulating that if the interest rate declines below 17 percent, the monthly instalment payable will remain at the level of 17 percent interest until such time as the guaranteed capitalised interest is redeemed.

Mrs Lyn Morris, president of the Housewives' League of South Africa, welcomed the proposed scheme, but said it must be used with caution.

RESPONSE

"It is important to remember that you will be stuck with the 17 percent interest rate until you have paid that off, even if the bond rates drop below that figure," she said.

Mr Peter Soal, the Democratic Party (DP) spokesman on Public Works, said the proposed scheme was essentially a Government response to private sector initiatives.

Restrictions

The Star is being produced under the severe restrictions of the emergency regulations.

Relief on bond rate

CAT Timp
9/6/89

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Own Correspondent

JOHANNESBURG. — The government last night announced details of relief measures to assist home-owners struggling to meet their bond repayments.

Government assistance will be available to those bond-holders who owe less than R60 000 on a house which is currently valued at less than R80 000 — provided the loan was granted before May this year. Home-owners in this category who elect to participate in the assistance scheme will for three years "at the utmost" pay an interest rate of only 17% — compared with the current bond-rate of between 19,5% and 20%.

The difference between 17% and the standard bond-rate will be capitalised. Repayment of this deferred portion will be guaranteed by government.

Long term implications

The caveat is that participants will carry on paying 17% even if interest rates should subsequently fall below this level — until the deferred portion guaranteed by government has been repayed.

Acting Public Works and Land Affairs Minister Dr Dawie de Villiers warned last night that "home-owners must not overlook the adverse long-term financial implications contained in the capitalisation of interest".

The announcement follows intense discussions between all ministers involved in housing and the Association of Mortgage Lenders of SA — representing all building societies and clearing banks.

Mr Bob Tucker, chairman of the association, last night said the scheme was specifically intended for the protection of "the genuine home-owners who

From page 1

Bond rate

CAT Timp
9/6/89

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are endeavouring to keep their homes in the face of the burden of increased lending rates".

He said only home-owners in real difficulty should apply for a lease under the scheme as there was no reduction in interest charged — merely a temporary reduction in the instalment due. Over the life of their bonds, participants will pay more in interest than if they had not applied to fall under the scheme.

He pointed out that this is a guarantee to save homes which would otherwise be lost. "It is not a subsidy of any kind," Mr Tucker said.

He emphasised that the relief was at the complete discretion of the financial institution.

Building society spokesmen said it was ironic that the move, described as an "election sop", will apply to home-owners who are not part of the electorate.

"It will benefit blacks more than it will whites," one spokesman said.

DP public works spokesman Mr Peter Soal (MP Johannesburg North) said last night it was appropriate that people should be assisted to prevent them losing their homes because of economic conditions. He added, however, that it was due to the government's mismanagement of the economy that the scheme had become necessary.

To page 2

Govt ¹²³ extends ^{Star 10/6/89} homes relief scheme

**SVEN LUNSCHÉ
and SAPA**

THE limits have been increased for participation in the relief scheme for homeowners who are experiencing problems affording their instalments.

This was announced last night by Acting Public Works and Land Affairs Minister Dr Dawie de Villiers.

"The scheme is now adjusted to be applicable on existing loans of which the current outstanding amount does not exceed R90 000 and in respect of which the present available valuation of the property amounts to a maximum of R120 000," he said.

Dr de Villiers said relief measures were not a subsidy scheme, but a temporary bridging measure in the form of a guarantee scheme.

"The primary purpose is to enable as many homeowners as possible to keep their houses."

A leading property economist has dismissed the scheme as a political ploy.

Mr Neville Berkowitz said yesterday that the

● TO PAGE 2.

Experts warn on relief scheme ¹²³

^{Star 10/6/89} ● FROM PAGE 1.
assistance programme would probably only amount to about R2 million, on the assumption that only people who are in danger of having their houses repossessed will apply for relief.

"The repossession rate at the moment is only 2,5 per thousand homeowners, so the scheme will only affect a tiny number of people," he said. "Given this, it seems that the scheme is no more than an election ploy aimed at poor whites, whereas mainly blacks are expected to make use of it."

Homeowners, who intend applying for the Government's assistance scheme will also end up paying virtually the same amount on their bond, as if they had not applied for relief, analysts said.

The chairman of Mortgage Lenders, Mr Bob Tucker, yesterday stressed that only homeowners in real difficulty should apply for relief under the scheme because there is no reduction in interest charges — there is merely a temporary reduction in the instalments.

Mr Trevor Olivier, NBS assistant general manager, loans, agreed: "The interest rate will not be pegged, but the monthly repayments will be pegged at a rate applicable at 17 percent.

"The balance owing will rise, with the Government providing institutions with a 'comfort guarantee'. In the end the borrower will pay."

For this reason, he said, borrowers should avoid using the scheme if at all possible — it would only add to their eventual liability.

The relief scheme will extend for a maximum of three years.

Office park planned

● FROM PAGE 1.

green belt and rural heritage, Sandton is short of

CMC-Treves

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Friday, June 10, 1989

Subsidised bonds also eligible for new govt scheme

By PETER DENNEHY

SUBSIDISED bond-holders would also be eligible for temporary relief from high home bond rates under the government's new scheme, a senior government official said yesterday.

The relief scheme will peg bond repayments on homes for three years to the level at which they would be if the interest rate was 17%.

At present rates are at — or at least close to — 20%, which means some owners who would qualify for relief are paying up to R116 more a month than they would have to.

Mr Leon Claasen, chief director of housing with the Department of Public Works and Land Affairs, said yesterday that irrespective of whether bond payers received a housing subsidy from the company for which they worked, or from local, provincial or central government, they would still be eligible for relief.

"This is not a form of subsidy,"

he said. "Interest is simply capitalised, and all of it has to be paid in the end."

Mr Claasen said he believed a R60 000 bond for an R80 000 house was "about the average size" in the housing market for South Africa as a whole.

But Mr Trevor Olivier, the NBS' assistant general manager for loans, said his institution's average new loan was "in excess of R63 000", so he would have set the cut-off point higher.

A spokesman for the Association of Mortgage Lenders of South Africa said he did not believe the relief scheme would have "any noticeable effect" on the housing market. It would not entirely stop repossessions either, he said, though it would surely save some houses.

"Hopefully, houses will appreciate in value rapidly enough to offset the extra costs participating home-owners incur," he said.

Mr Olivier estimated that someone with a R60 000 bond might end up with a R67 000 bond after the three years, if bond rates

were to remain at their present levels. In paying all this off over the years, a home-owner might eventually have to pay about R30 000 more, he said.

Sapa reports that the lengthening of the repayment period with a reduction in monthly repayments is an option which might be considered by Trust Bank to help home-owners, the bank's media relations manager, Mr Louis de Villiers, said yesterday.

Mr De Villiers said the bank welcomed the government's action to relieve the interest burdens on consumers.

First National Bank also announced yesterday that it supported the relief measures for home-owners.

The bank's spokesman, senior general manager Mr Jimmy McKenzie, said: "The bank has always supported relief measures for those home-owners who are hardest hit by increasing interest rates."

● Buyers warned — Page 15

Varied

rates

plan

now on

home

bonds

By ANDREW GILLINGHAM
STRUGGLING homeowners may be in line for another boost.

Sweeping changes in home financing are being examined in the wake of the Government's announcement of a relief scheme to help hard-pressed bond holders — first disclosed last week by the Sunday Times.

New proposals being considered by bank and building society chiefs and the Government, include:

- Differential mortgage rates — to be decided on each family's individual circumstances;
- More flexible home loans such as "slow start" mortgages;
- Separate administrative fees.

For the man-in-the-street with a good track record with his building society, it will mean paying a lower rate on his bond.

Unfair

Also, homes could become more affordable for first-time buyers.

Mr Bob Tucker, chairman of the Association of Mortgage Lenders of South Africa, said yesterday: "Why should the good borrower pay the same rate as the home buyer who is considered a higher risk?"

"This results in the good borrower subsidising the others. That's not fair. And the situation is stopping the flow of money to some borrowers."

"If the institutions receive the same return from both types of borrower, they would rather lend to the better risk," said Mr Tucker.

Among the first to come out in support of the changes

□ To Page 2

Multiple-choice bonds

□ From Page 1

was First National Bank. Senior general manager Mr Jimmy McKenzie said: "We approve of relating risk to return. Factors such as amount borrowed, period of repayment, deposit, location, age of dwelling, method of construction, administrative costs, customer's financial standing and track record all affect the risk."

"They should be considered when determining the interest rate."

However, Mr Tucker said the changes should go even further.

"We are pushing the Government to make changes to the Usury Act so we can charge for administration separately," he said.

At present the cost of administering the bond is recovered via the interest rate charged.

Excess

But the cost of administration on a bond of, for example, R20 000 is about the same as that of a R500 000 bond. Thus the homeowner with the larger bond is being charged far in excess of the actual costs involved.

"Another change we want will allow us more flexibility in producing housing finance packages."

"Currently the Usury Act prevents interest being added to the capital borrowed. This stops us offering packages such as slow-start mortgages."

"Young couples could then pay a lower instalment at the

start and increase their payments as their financial situation improves," Mr Tucker suggested.

Dr Dawie de Villiers, acting Minister of Public Works and Land Affairs, said in Cape Town yesterday: "The suggestions are interesting and we are considering them seriously. The whole question of housing finance is under review at the moment."

"The Act is not fixed. It's there to protect the consumer, but if it is standing in the way of providing shelter then we will consider suggested changes in a favourable light."

Abuses

Mr Peter Soal, DP public works spokesman and Johannesburg North MP, agreed that it was long past the time when the Government should allow free market principles to prevail.

"If the institutions are prepared to take the risk the Government should let them. The only consideration should be to ensure they don't abuse the freedom," he said.

Mr Tucker said there are other facts of life facing the potential homeowner.

"The size of the bond — now as much as 100 percent — and the period of the bond have gone as far as they can."

"The only other factor left is the standard of the housing. This has to fall. People are going to have to cut their cloth to suit their circumstances," he warned.

Highlighting the strength of Mr Tucker's argument is the fact the Government has been forced to step in and offer relief for hard-pressed homeowners.

The details of the scheme, announced this week, have already been modified to allow more people to receive help.

• Dr De Villiers an-

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nounced on Thursday that rates of 17 percent would be pegged for needy homeowners on bonds of R60 000 or less and with properties valued at R80 000 or less.

But he announced yesterday that the ceilings were to be extended to R90 000 and R120 000 respectively.

"We can't extend the scheme any more," he said.

"If we did, we would be opening up another credit line when we are trying to curtail spending," said Dr De Villiers.

Relief in reach for those who cannot afford the increases

By SOPHIE TEMA

THE government has pegged bond rates at 17 percent for people who cannot afford the increased monthly payments.

Public Works and Land Affairs Minister Dawie de Villiers said this decision had been taken during discussions between the SA Association of Mortgage Lenders (AMLSA), representing building societies and clearing banks, and housing ministers.

The scheme is to be applicable to existing loans not exceeding R90 000 and on which property valuations amount to a maximum of R120 000.

The assistance, which will not be in subsidy form, will be applicable for three years to loans granted before May 1989.

De Villiers said homeowners would be permitted to "capitalise the increase in the instalment" resulting from the increase in interest rates above 17 percent.

Homeowners who experienced problems paying the increased instalments will be permitted to defer payment of the increase of their instalments.

He said this step was taken because the government was aware of the problems homeowners had been experiencing.

"The scheme is aimed at assisting persons really in trouble, owing to the increase in interest rates, who do not have the ability to honour their obligations to financial institutions," said De Villiers.

He said the State would assist the guarantee of payment on the deferred portion to a financial institution as a temporary bridging measure.

Homeowners who took part in the scheme would have to sign an agreement stipulating that, should the interest rate drop below 17 percent, their instalments would remain at 17 percent until the guaranteed capitalised interest was redeemed.

"It is, however, very important that homeowners do not overlook adverse long-term financial implications in the capitalisation of interest," De Villiers said.

All parties involved were working on procedures to implement the scheme, he said. Details would be announced by the AMLSA.

A Johannesburg building society spokesman welcomed the announcement, saying the government and most financial institutions were keen to assist bond holders by providing bridging finances once all problems and legalities had been cleared up.

First National Bank general manager Jimmy McKenzie said his bank had "always supported relief measures for homeowners hardest hit by increasing interest rates."

The bank, which supported the government measures, had encouraged homeowners in financial difficulties to contact their branch managers, he said.

Home-owners likely to benefit from the plan are the lower and middle-income groups who own houses bought for R80 000 or less.

rates pegged Housing bond

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4/6/89
C. du Toit

Bond scheme: more qualify

GOVERNMENT's relief scheme for cash-strapped homeowners has been extended from the lower end of the market into the middle range to prevent a significant number of homes being repossessed as bond rates rise.

Public Works and Land Affairs Acting Minister Dawie de Villiers announced sudden changes to the requirements for participation late on Friday. He said government assistance, in the form of a guarantee for reduced monthly instalments, would be available to bondholders who owed less than R90 000 on a house currently valued at below R120 000.

The limits were increased from R60 000 and R80 000, announced on Thursday. This significantly increases the number of middle-income bondholders who qualify.

Critics who argued initially that the scheme was a political ploy feel the inclu-

LESLEY LAMBERT

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12/6/89
B/D

sion of more white bondholders as a result of the changes supports their argument.

However, De Villiers said yesterday the changes followed representations by banks, building societies and other interest groups which felt higher limits would be more representative.

"The leading institutions based their representations on initial responses they had to the scheme. It appeared from their evidence that in the initial limits we had excluded a large number of people who were in danger of losing their homes."

He emphasised the relief was not a subsidy. It enabled bondholders under threat of losing their homes to capitalise the difference between current market rates of 19.75%-20% and the 17% at which their monthly instalments would be pegged.

Certain domestic electrical appliances at a ceiling duty of 3% *ad valorem* and a rebate of the full surcharge.

advantage, have shifted from being their

□ To Page 2

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wmail 15-22/6/89

Build to create jobs and wealth, they say. But where's the land?

THE government's "inward industrialisation" strategy for economic growth may fail unless official land and housing policies change.

In a new study published by the South African Institute of Race Relations, Planact researcher Paul Hendler says increased home buying and building in the townships could stimulate job creation and generate wealth "if sufficient housing land is provided and prospective homeowners receive financial aid". Planact is a service organisation which deals with housing.

But, he says, "land policy has become the major limit on housing's potential to stimulate effective demand". Existing government subsidy schemes help make housing affordable to only a small proportion of black people. And new proposals on housing finance will have only limited effect unless land and town plan-

The government's strategy for industrialisation is set to founder on its own housing and land policies. By HILARY JOFFE

ning policies are changed.

Government economists advocate "inward industrialisation" to overcome the limits of economic strategies such as import substitution and export promotion, which are seen to have failed to stimulate job creation.

In essence, Hendler points out, "inward industrialisation" relies on boosting black spending power.

"During the 1980s state economists identified the low earning potential of black workers as a key reason for economic stagnation because of the limits it places on domestic demand."

Government planners recognise this can be addressed only if black peo-

ple's access to the cities and their participation in the economy is increased.

Deregulation is central to this approach. But Hendler describes it as a "double-edged sword". It may generate wealth for small businessmen, but if it means low wages are low it will not stimulate domestic demand (and could also increase conflict).

Housing's role in inward industrialisation would, in theory, "overcome the negative impact of deregulation on wealth redistribution by offering residents an asset against which to raise capital", Hendler says. Other advantages are seen as:

- Public finance for low income housing and investment in infrastructure would have a multiplier effect, stimulating growth;

- Demand from African homeowners which would stimulate consumer goods industries and new business venture to supply them;

- A secondary housing market (owners reselling their houses at a profit) could fuel growth and job creation;

- The construction industry does not depend heavily on imported materials (and so does not strain the balance of payments), is labour intensive and would promote industrialisation in the townships.

Hendler argues, however, that: "The success of inward industrialisation hinges on its ability to sustain expanded effective demand among township residents; but its ability to do so is not assured — at least unless deregulation is supplemented by positive measures to enable Africans to accumulate capital."

And while housing could play the role outlined for it, in practice its potential has been limited.

Hendler points out, for example, that the land allocated for African housing in the PWV area falls well short of requirements.

Official planners have based their calculations of land need on underestimates of population figures for the area. On population figures estimated by Professor Charles Simkins (eight million African people in the PWV by the year 2000), 87 000ha would be needed by the year 2000. But existing townships occupy 44 000ha and the government guide plans recommend the release of only 21 000ha more — only 65 000ha in total.

Hendler adds that town planning policies imply land occupancy rates which ensure overcrowding. For example, in the PWV area, government figures imply an occupancy rate of at least 11 people in new houses.

Also, much of the land allocated in terms of government guide plans is far from places of work.

The majority of township residents cannot afford conventional houses, even if government subsidies were increased. And there has been little progress in supplying unconventional housing, such as self-help or site-and-service schemes, for those with low incomes.

Hendler points to the negative role of the black local authorities, who generally allocate land to established property developers to build more expensive conventional houses, because this brings the local authorities more revenue. They are reluctant to allocate land for low income housing or site-and-service projects.

Stimulating the black building industry is a key part of the "inward industrialisation" strategy. Although their numbers have grown, Hendler finds the small black builders have had little impact on housing delivery or job creation. The market tends to be dominated by the large (white-owned) property developers so much of the wealth generated in the township housing sector goes to them. To compete, black builders have to cut prices, which they can do only by cutting wages. This puts a limit on economic growth in the townships.

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HOME LOANS

(123) final
16/6/89

Risk management

With an election in September, June 3 seemed a good time to offer distressed homeowners relief from interest rate increases. And with the Linden municipal by-election on June 7 registering unsuspected voter dissatisfaction with, among other things, failure of economic policy, June 9 seemed an even better time to improve the offer.

Finally the scheme, whereby interest rates on certain loans could temporarily be pegged at 17% (with the balance capitalised for up to three years and underwritten by government), applied only to bonds under R60 000 on property worth not more than R80 000. The adjustment, six days later, lifted these ceilings to R90 000 and R120 000. So, though not many Linden voters will qualify, as homes in the suburb generally go for somewhat more, a great many others will be eligible for assistance.

The adjustments came, says a spokesman for the Department of Public Works, after representations from the Association of Mortgage Lenders. Institutions had already announced willingness to negotiate with borrowers in trouble, rather than incur the expense of taking a large number of properties into possession. So they benefit by the move as much as homeowners.

As to the latter, the reality is they don't want stable interest rates as much as consistently low interest rates.

For more than two years, homeowners who wanted the security of fixed interest rates, have had the option. In March 1987, Allied introduced a fixed-rate bond. When the rate on conventional bonds was 14%, it offered 15% over three years or 16% for five years. It now offers 19,5% for one year and 19,75% for two years.

The response was "underwhelming", says executive deputy chairman Alan Tindall.



Tindall

It's interesting to compare payments of a borrower who took out a two-year fixed bond for R50 000 at 15,5% in March last year, when Allied's conventional rate was at its lowest 13,5%.

With monthly instalments of R621 a month, he will have paid R9 936 between April 1988 and July 1989. The holder of a variable rate bond would have started with a monthly repayment of R621, escalating to R839 in July when the rate goes to 20%. Repayments over 16 months will total R11 260.

Of course, choosing the point in the economic cycle to take out a fixed interest rate bond is like deciding the low point in a bear market — the only reliable guide is hindsight. But given the comparatively low real interest rates from the end of 1986 to the start of 1988 and the clear signs of demand pressures building up by March last year, it's surprising so few consumers responded. ■

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Kick-start for the young home-buyer

A METHOD of granting bonds through equity finance, making homes affordable to everyone, has been proposed by Mohamed Adam, president of the Institute of Islamic Economics.

Borrowers usually find that meeting repayments is most difficult in the first few years of a mortgage bond. The reasons are plain: often the buyers are newly qualified; study loans may have to be repaid; apprenticeships or training at low salaries still to be completed; or there are

By Julie Walker

children.

The average person wants a home of his own. By the time a man has left school at 18, served two years in the army, studied for another three or four years at university, and taken his first job, the chances of his being cash flush are slight.

Gap

However, after he has worked for several years, his financial position improves and he is more able to meet repayments on a housing

loan.

There is clearly a gap in the market for a repayments which are low initially, rising as one's income grows.

Dr Adam proposes an indexed payment plan which meets the wishes of the average person.

Assume that a home-owner with a bond of R90 000 earns R3 000 a month and has saved up a deposit of R10 000. His monthly repayment would be R1 530.

This means that he would have to earn at least R6 000 a month to be able to afford the house, based on the requirements of most building societies (banks included in this

term) that a monthly repayment should not exceed 25% of one's salary.

Assuming that he was granted a bond his repayments would be 50% of his salary. His chances of defaulting are high.

Under Dr Adam's indexed payment plan he would start with repayments of R918 a month — 30% of his pay.

However, his repayments would increase in proportion to his annual salary increase. Repayment would always be about 30% of salary. The absolute amount repaid increases every year at the same rate as the consumer price index or inflation rate.

The indexed repayment plan derives from the concept of equity-based financing, in which the lender shares in the capital appreciation of the asset he is financing.

Example

The method can be compared with a conventional home loan — assuming Mr A is conventional and Mr B is indexed.

In year one Mr A will pay 67% more in repayments than will Mr B. Based on conventional lending wisdom, Mr A would not be able to afford the house, but Mr B would.

Mr B's repayments will increase every year in line with the inflation rate so that his repayments remain a fixed and affordable percentage of his salary. He will repay the total amount after only 11 or 12 years.

Happy

The total amount repaid by Mr B would be R140 670 less than that repaid over a conventional 20-year home loan at current rates.

One way in which borrowers try to reduce their monthly obligations is by taking the bond over 25 or 30 years. But this makes only a small difference in the instalments, which in turn have to be paid for five or 10 years longer and the total is far higher.

When interest rates were 12,5% but looking to rise, some building societies



MOHAMED ADAM

offered new borrowers a choice of repaying at a higher but fixed interest rate for three years no matter what happened to market-related rates.

The rate was 16%, so those who took the option must be happy now. Whether they score over time remains to be seen.

Now building societies and the Government are helping hard-pressed home-owners by pegging repayments at an interest rate of 17%.

Borrowers repay at 17% even if rates fall below that until they have made good the difference.

The fact that building societies are prepared to be flexible to attract business is a sign that new thinking may be on the way.

Computer

Dr Adam believes that only a few changes need be made to computer systems to enable building societies to grant indexing to borrowers. He predicts that the first building society to do so would have a head start in attracting applications for bond finance.

Under the indexed plan, the building society achieves the identical return to that from the conventional method, says Dr Adam. The money is also circulated faster, becoming available for another borrower after only a few years instead of 20.

On the downside, it would probably be necessary for building societies to take an additional covering bond to protect themselves.

One banker says the drawback is the low cash flow to the banks in the initial period of the indexed bond repayments. Other than that, he believes Dr Adam's financial model has merit — and does not smack of a gimmick.

Hendrickse slaps down Minister

LABOUR PARTY leader the Rev Allan Hendrickse overruled his Minister of Housing and ordered him to freeze all sub-economic rent increases countrywide.

Politically it is seen as the first public sign of a looming showdown between Mr Hendrickse and Mr David Curry, who as "own affairs" Minister authorised the controversial increases, ignoring the advice of his colleagues.

Complaints

Mr Curry has not yet resolved another cause for possible bad blood between him and Mr Hendrickse — the controversy over shoddy workmanship and allegations of large-scale rip-offs by some builders involved in the establishment of the multi-million-rand Blue Downs housing metropolis outside Cape Town.

His reluctance to listen to or to acknowledge written complaints, or go to the rescue of angry residents, unleashed a flood of complaints from thousands of home owners and possible voters.

By NORMAN WEST
Political Reporter

Mr Hendrickse's personal intervention and overruling of Mr Curry's rent increases means tens of thousands of low-income coloured tenants can now tear up the shock letters sent out two weeks ago on the instructions of Mr Curry.

It is significant that Mr Hendrickse did not allow Mr Curry to retract the increases himself, but issued a statement in his own name, spelling out what he had "instructed" Mr Curry to do.

Mr Hendrickse said at the weekend that apart from rentals he was also concerned about other economic problems and the enormous increases in other service costs.

● The chairman of the Ministers' Council in the Indian House of Delegates, Dr J N Reddy, confirmed to the Sunday Times that after consulting Mr Hendrickse he has also announced a halt to all sub-economic house rent increases.

Students to design affordable homes

Contest to promote low-income houses

Stev 19/6/89

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By Kaizer Nyatumba
The South African Housing Trust (SAHT) has come up with a plan to help ease the country's housing problem: a country-wide affordable housing design competition for university and technikon students.

Unveiled at a press conference in Randburg last week, the competition was aimed at helping the homeless and focusing the thinking of architectural students on "the most fundamental problem facing the country's architectural profession and the building industry — how to provide affordable homes", according to SAHT managing director Mr Wallie Conradie.

Prize

Mr Conradie said the competition was aimed at senior university and technikon students doing architecture and building science.

A prize of R10 000 would be given to the student who came



up with the best new design for affordable housing. The runner-up would receive R2 500. The home should not cost more than R15 000 to build.

Individual as well as team entries would be allowed, but a team would be permitted a maximum of three members who would be required to nominate a leader.

Mr Conradie said the need to keep building costs low to enable as many people as possible to benefit from the plan meant participating students would be required to waive any copyright to their designs.

"The competition has a dual purpose," said Mr Conradie.

"The first is to elicit new solutions to the problem of providing mass housing for poor people when cost escalations threa-

ten to keep them permanently homeless.

"The second is to get young architects and designers thinking creatively and urgently about low-cost solutions. This is a national priority. The days are long gone when we could afford the luxury of thinking solely in terms of the biggest, the finest, the best."

Impossible

He said South Africa had reached a point where provision of affordable homes for the poorest sections of the community had "ceased to be difficult and has started to become impossible".

The SAHT's assessment, he said, was that by the end of this decade it would no longer be feasible to provide housing for the lowest target group "if only traditional clay brick materials and traditional assumptions and standards are employed".

The competition closes on September 15. The winner will be announced at a function in Johannesburg on October 6.

By Helen Grange

At a time when homeowners are struggling to keep up with their bond repayments, some account holders are also faced with the threat of a penalty fee should they fall into arrears.

The Perm Building Society charges additional interest of two percent of the monthly repayment should homeowners fall behind by two months. Thereafter the bank's attorneys are instructed to institute legal proceedings.

No other bank or building so-

Penalty fee for late bond payments

ciety has instituted this additional interest, although at the Natal Building Society (NBS), an extra fee of R20 is payable for a bond repayment outstanding for two months. For every month after that, R10 is added to this.

The general manager of Perm, Mr David Harrison, says

the reason for additional interest on late bond repayments is the "extra problems experienced by the building society once an account falls into arrears."

"It is a reasonable reaction. It wasn't introduced to jolt people into paying, but only to cover administrative expenses on our side," he said.

Mr Harrison added that homeowners who couldn't meet their commitments could approach the building society, which would tailor bond repayments to their ability to pay.

Wittes honoured for saving captain

By Barry Glasspool

A Transvaal Rooibokke player who saved the life of his teammate and captain during a provincial match at Newlands two weeks ago has been honoured by his teammates and Transvaal rugby officials.

Wittes Buitendach thrust his fingers into Francois Pienaar's mouth to prevent him swallowing his tongue when Pienaar suffered an epileptic fit after receiving a blow on the head during the game against Western Province B. Doctors later said Buitendach's action had saved Pienaar's life.

Dr Louis Luyt, president of the Transvaal Rugby Union, said yesterday: "If it hadn't been for the quick, sure action of Wittes, we could have lost Francois. He almost had one finger severed, such was the ferocity of the bite."

Buitendach was presented with a Transvaal centenary tie at a weekend ceremony at which the gratitude of the TRFU was extended to the Rooibokke hooker.

21 SA academics hold talks with ANC

By Sue Valentine, Education Reporter

A 21-person delegation from the Union of Democratic University Staff Associations have returned to South Africa after three days of talks with the African National Congress in Lusaka.

The Udusa delegation was led by its president, Professor Mala Singh, and comprised delegates from all its branches. These included academics from Stellenbosch, Potchefstroom, Rand Afrikaans, Cape Town, Rhodes, Natal, Durban-Westville, Qwa-Qwa, Bophuthatswana, Unisa, Fort Hare, Witwatersrand and Turfloop universities.

The ANC delegation was led by Mr Thabo Mbeki.

The general secretary of Udusa, Dr Mike Morris, said the union's intention in going to Lusaka was essentially as a fact-finding mission.

"The exchange of views was extremely beneficial and will enable Udusa to conduct more informed deliberations on these issues at its congress in July," he said.

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Staff Reporter

Three of Vista Homes (Pty) Ltd's subsidiary companies were placed under final winding up orders in the Rand Supreme Court yesterday.

Mr Justice L le Grange granted the orders on Handi Homes (Pty) Ltd, Vista Properties (Pty)

Final orders on three Vista firms

Ltd and Barbados Investments (Pty) Ltd.

Handi Homes's liabilities exceeded its assets by R364 000.

Vista Properties (Pty) Ltd's liabilities exceeded its assets by R209 452.

Barbados Investments (Pty) Ltd had liabilities which exceeded the assets by R193 000.

The applications for the winding up of the three property development companies was launched by one of the joint pro-

visional liquidators of Vista Homes, Mr Leslie Cohen.

He said Vista Homes was placed under provisional liquidation on February 28 this year, and later the order was made final.

The provisional orders on the three subsidiaries were granted on May 23.



GOVERNMENT GAZETTE

OF THE REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

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Vol. 288

CAPE TOWN, 23 JUNE 1989

No. 11973

KAAPSTAD, 23 JUNIE 1989

STATE PRESIDENT'S OFFICE

KANTOOR VAN DIE STAATSPRESIDENT

No. 1314.

23 June 1989

No. 1314.

23 Junie 1989

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 94 of 1989: Housing Amendment Act (House of Representatives), 1989.

No. 94 van 1989: Wysigingswet op Behuising (Raad van Verteenwoordigers), 1989.

123

Buy a house and retire as a near-millionaire

123
24/6/89

CHECKS on families who apply for the government subsidy for first-time home-owners are expected to become more stringent from next month.

The authorities are planning to get Deeds Offices to run the ID number of applicants through their computers to find if

they have bought a property before, say estate agents.

Home-buyers will also need to register with the Department of Public Works and Land Affairs

Cheats beware!

before they can go to a bank or building society for a loan.

Until now applicants merely had to sign a declaration attached to the mortgage form and say

the house being bought was their first.

Officials suspect the scheme has been abused by some people in the past and that thousands of rands could have been paid to people who owned houses previously and were not entitled to the subsidies.

MAGNUS HEYSTEK Finance Editor

tional bond would be R1 517,43 a month (excluding bond assurance costs).

In terms of the Nedgrowth Home Loan his monthly repayments would be slightly more at R1 575,37 a month, with R75,37 being the unit trust contribution.

Assuming a growth rate of 22 percent, as experienced by UAL's unit trust in recent years, the value of the unit holding would be R979 787,08 at the end of the loan period.

After repayment of the loan balance, which remains constant at R100 000, the investor would be left with an unencumbered investment valued at R879 787,08 as well.

Even at higher interest rates of say 19,75 percent the home owner will still be in a cash-flush position at the end of his loan period. Based on the same assumptions of the previous example but with an interest rate of 19,75 percent the home owners monthly repayments in terms of a conventional bond would amount to R1 658,21 per month. In terms of the Nedgrowth the monthly repayments increase

A NEW mortgage finance scheme which is set to revolutionise property financing in the country has just been launched by Nedbank and its subsidiary UAL Merchant Bank.

In terms of the new scheme, called Nedgrowth, home owners have the option of repaying only the interest on their home loans and investing the portion that would have gone to capital redemption, in UAL unit trusts.

Says Mr Geoff Richardson, managing director of UAL Merchant Bank: "The Nedgrowth Home Loan is an innovation on the South African market and just as the introduction of equity-linked insurance policies changed the face of the life insurance industry in the late 60's and early 70's, the unit trust-linked home loan could revolutionise the home loan industry and the individual's inclination to save.



Geoff Richardson

Unit trusts have in the recent past recorded outstanding performances with the UAL general equity fund showing a compound annual return (on a lump sum) over 10 years with the income re-invested of 25,6 percent.

Even taking into consideration the effect of taxation on the income reinvested at a marginal rate of 45 percent, the compound rate of return would still have been an impressive 23,2 percent.

In terms of the Nedgrowth Home Loan the monthly repayment is structured in such a way that apart from the monthly interest — the bond value stays constant for the duration of the mortgage period — a monthly payment is made into UAL's unit trusts which has superior investment returns than can be got from a reduction of the capital outstanding on the bond.

Take for example the person with a home loan of R100 000 payable over a period of 25 years. At an average interest rate of 18 percent this monthly repayment (including capital) in terms of a conven-

to R1 721,20 but after twenty five years his net capital position would amount to R555 703,40c (R655 703,40 less R100 000) should unit trusts perform at roughly the same rate as during the last 20 years.

The Nedgrowth Home Loan is particularly suited to people who remain in their houses for the duration of the bond period. Although home loans are usually taken out for a period of twenty years and longer, the duration of the average home loan is usually under ten years.

Even after nine years (based on the same assumptions as related here) the unit trust-linked home loan will significantly outperform the conventional bond in terms of capital growth.

In this example, under the conventional bond, capital repayments would have amounted to only R4 640 while the value of the units in terms of Nedgrowth would be R25 667, a substantial difference to the home owner.

END

Agreement on new bond plan

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Cm. 7-7-1 24/6/89

THE government's relief scheme for cash-strapped home-owners has been finalised and could come into effect within days. The acting Minister of Public Works and Land Affairs, Dr Dawie de Villiers, said agreement on the plan, between the state and financial institutions, had been reached yesterday.

The chairman of the Association of Mortgage Lenders of South Africa, Mr Bob Tucker, said formal ratification of the scheme could take place "very soon".

Problems such as whether the agreement contravened provisions of the Usury Act had been ironed out, said Mr Tucker, and nothing could now stop bond-holders from getting relief.

In terms of plans outlined by Mr De Villiers, bond-holders under threat of losing their homes will be able to capitalise the difference between current market rates of 19,75% to 20% and the 17% at which their monthly instalments would be pegged.

The aid would be available to those who owed less than R90 000 on a house valued at below R120 000.

Wood frame housing to relieve crisis

By KATHERINE BUTT

Timber frame construction looks set to play a key role in alleviating the local housing crises.

Township housing could be the main beneficiary of this cost-effective method — construction of a basic three-roomed timber home takes only 20% of the time needed when conventional methods are used, and the cost is less.

Conventional building costs now range between R850 and R1 000 per square metre. But by using the timber frame method, costs shrink to as little as R200 per square metre.

A basic 36 square-metre, three-roomed house built from a factory kit will cost R8 500 and can be constructed, complete with plumbing, in four days.

Once the initial slab has been laid, and the frames, trusses and roof cladding are complete, work can commence under cover from the weather.

Not only is the construction method speedy, but the completed home will withstand soil movements without the cracking associated with solid masonry. Treated structural timbers ensure competent fire and weather resistance.

The effective insulation of the timber frame home contributes to reduced energy costs. Homes are cool in summer and warm in winter. The construction method rules out the possibility of damp — one of the major problems associated with low-cost housing locally.

Maintenance with this method is virtually nil, as all structural timber is protected by non-combustible "rhinoboard" cladding inside and wooden cladding without. Structural timbers used in this method have a strength-to-weight ratio superior to that of steel, bricks and water.

The timber frame home can also be extended quickly and cheaply, and because wall thickness is reduced, the internal floor area is increased by up to 8% — which can make the difference when living space is at a premium.

Not only is this method appropriate to local needs, but John Urban, MD of the timber division of Urban Industries, whose George factory manufactures timber housing kits, reports substantial orders from as far afield as Zaire and Mozambique.

Black housing funds for cities slashed 30%

cont. Times 30/5/89 123

Political Staff

GOVERNMENT funding to the nine major South African local authorities for black housing development from the National Housing Fund dropped by R23,8 million, or 31,4%, over the past two financial years, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said yesterday.

During the 1987/8 financial year, R75,6 million was allocated by the National Housing Fund for the provision of infrastructure and material loans for black

housing development in the nine cities.

However, in the 1988/9 financial year, this dropped to R51,9 million.

Mr Heunis was asked in a question tabled in Parliament by Mr Jasper Walsh (DP Pinelands) how many houses the government had built during the two financial years in Cape Town, Durban, Maritzburg, Pretoria, Port Elizabeth, Kimberley, East London, Bloemfontein and Johannesburg.

He replied: "The state does not build homes in black local authority areas.

"Funds, however, are made available to black local authori-

ties via the National Housing Fund as loans mainly for the development of infrastructure and for material loans to promote self-build schemes."

In the 1987/8 financial year, R69,1 million was made available for infrastructure and R6,5 million for material loans.

However, in the following financial year R44,4 million was made available for infrastructure and R7,5 million for material loans.

Mr Heunis added: "Reliable statistics regarding the construction of houses by the private sector are not readily available."

Business failures and bad debts likely to increase

BIB 30/1/89



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Interest and bond hikes not disastrous — expert

THE rise in interest and bond rates is unlikely to have catastrophic results, as these are not panic measures taken by the authorities and, unlike 1984/1985, the economy is not going to collapse, says Standard Bank economist Nico Czipionka.

Czipionko says, however, there is likely to be an increase in business failures, bad debts and foreclosures on homeowners.

Given the volatility of interest rates in SA, there are bound to be lags before the full impact of the recent measures are felt, he says. Nevertheless, the economy is not expected to reach the levels of 1984/1985.

Czipionko sees the latest increase in the home-loans as bringing the mortgage rates in line with the prime rate to further reduce the individual cash flow, and so help cool down the economy.

"The cash flow is already strained, so the new measures will add further pressure on the individual's ability to purchase. And, with the already significant slow-down in demand, the resulting drop in demand for credit should have a positive impact on reducing imports, and so help the balance of payments."

Repossessions

On the possibility of homeowners being able to extend the period of their mortgages to maintain unchanged monthly repayments, Czipionka says such an option is limited as many bondholders have already extended their bonds to the maximum period allowed.

United chief executive Piet Badenhorst says that, in spite of the high mortgage bond rates, the property market remains buoyant, mainly because emigration has not reached the levels it

had in 1984/1985.

Badenhorst believes, however, that repossessions are likely to increase across the spectrum of the home market, and hardest hit will be those with bonds of 100%.

The United Building Society expects the price of houses to rise by about 10% this year.

The United said in its latest quarterly housing survey that the economy had begun to cool and that houses were now more affordable than at any time in the past 10 years.

It said the 10% rise was considerably lower than the expected inflation rate of about 15%.

The price of houses has risen on a year-on-year basis by 8%.

A medium-sized house costs about R92 000, a larger one about R129 000, and small houses cost about R73 000.

Sapa

One in 200 houses repossessed — MD

CAPE TOWN — At least one in every 200 houses were being repossessed — and payments on three in a 100 were in arrears, Allied Building Society MD Kevin de Villiers said last week.

He said: "There definitely is a trend towards falling behind on payments now."

Figures had shown just how rising bond rates had hurt homeowners. Rates had risen from 13,5% at the start of last year to 20% and were expected to rise again.

Repossessed houses represented 0,59% of Allied's total home loan book — "which

123 Own Correspondent

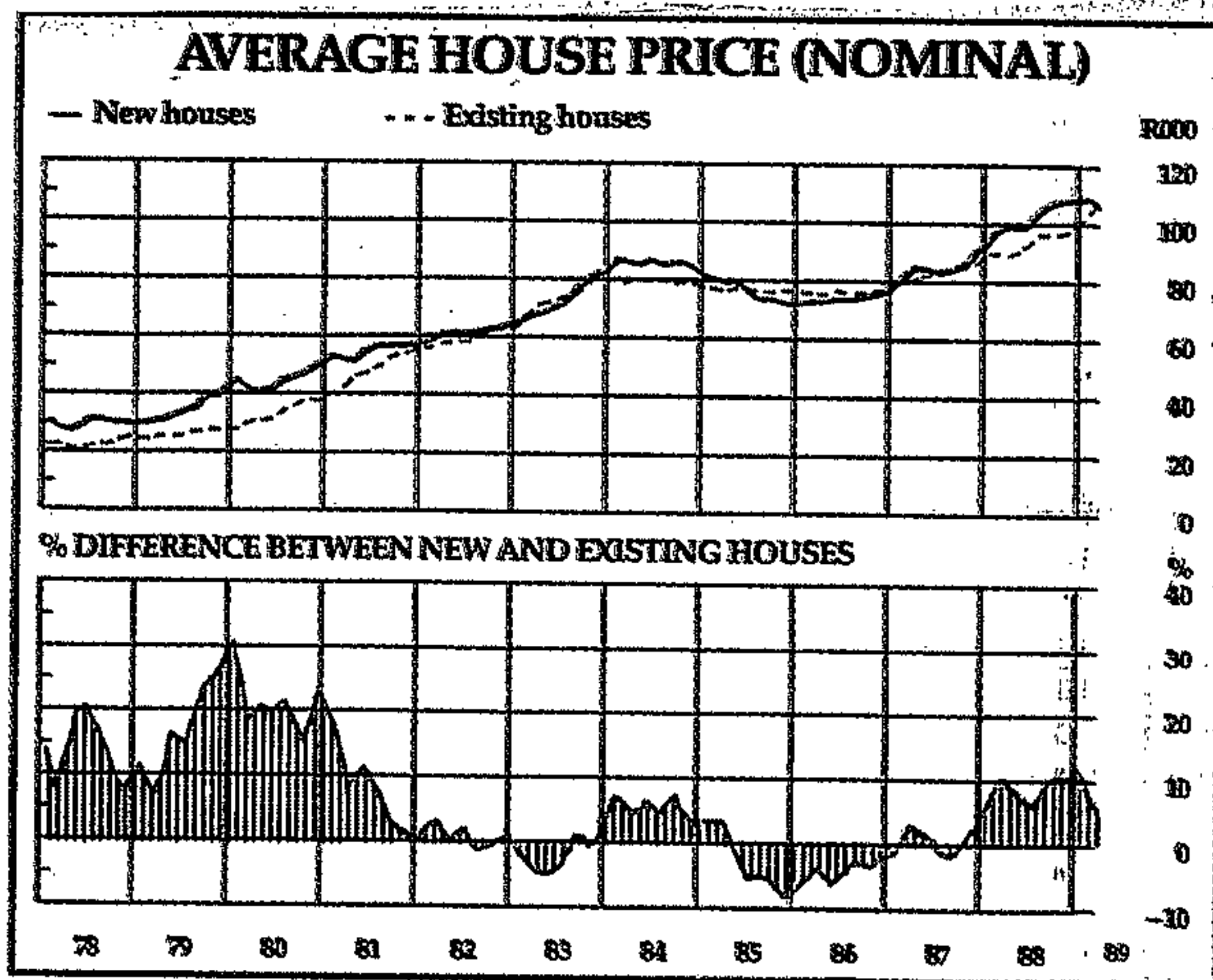
is in line with other institutions which are showing a repossession rate of between 0,52% and 0,70%".

De Villiers said the society had seen payments in arrears increase from 2,5% of the loans book to 2,9% in the past six months. Those most likely to be at risk of losing their homes were people who had lost their jobs. They were followed by those who had bought a house for R90 000 to R120 000 with a 90%-100% bond.

HOUSING & HOSTELS - GENERAL

1989

JULY - DEC.



Graph 2: Based on the average price of all houses (80-350m²).
Source: UBS

ster 1/7/89

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Upturn may boost house prices

WHILE average house prices in real terms have declined steadily since 1983, a significant upturn in the business cycle could support an increase of some 30 percent in the early 1990s, according to UBS economist Dr Hans Falkena.

He says interest rates are probably at their peak at present, and any further upward movement is likely only in the face of a further fall in the gold price or an increase in international interest rates.

This means that house prices in real terms may well have bottomed, and bearing in mind the high cost of new housing, buying a home now for residential purposes could be a good move

if financially affordable.

Dr Falkena notes that when income levels are taken into account, houses are more affordable now than at any time in the past decade. This indicates that demand is likely to remain structurally sound despite weaker economic activity, with the potential for a significant upsurge when conditions improve.

Dr Falkena says a house should be considered as much of a consumption item as an investment. It is financially far better to own one than to rent one, but viewing it as purely an investment is questionable in relation to other opportunities.

This is because house prices have not kept pace with inflation in recent years, and the domestic property market has not offered a competitive rate of return when compared with other investment opportunities such as in the equities market.

He anticipated that house prices will increase by about 10 percent during 1989, still some way behind an expected 15 percent inflation rate.

Employers must help fund housing

B1 Daily 5/7/89 VAL PIENAAR

123

DEDICATED to the creation of a stable population of homeowners, Urban Foundation subsidiary FHA Homes is to build 2 500 houses this year, but CE Brian Longley said this is a mere 2,5% of the number needed to meet demand in the Transvaal.

"SA needs to build 2 000 low-cost houses a year between now and the turn of the century to catch up on the existing backlog and keep pace with expected black population growth. The need in the Transvaal alone stands at 100 000 houses," he said. However, he pointed out that only an estimated 25% of the need figure can in fact afford formal housing. A drop in interest rates to 12,5% would increase

the size of the market by between 15% and 20%, while, he said, large numbers would never be able to afford to own homes under existing conditions.

"These are the people at present living in shacks. For the foreseeable future they will have to continue to do so — the Urban Foundation simply tries to give them security of tenure of a serviced stand where they can erect the best home they are able to afford."

What Longley would like to see is increased involvement in the provision of housing on the part of employers. At the same time, he hoped to see FHA move increasingly into the "site and service" market.

But he stressed that entry into this market could be undertaken only on a commercially viable basis.

"In the Transvaal, the cost of providing water, water-borne sewage systems and graded roads amounts to about R5 500 a stand. Raw land prices average about R2 000 per 250m² stand — a total of 7 500.

"This is still far too high for an enormous number of people. We need to halve our costs — or gain the financial support of corporations that take their commitment to SA's future seriously."

New bond repayment scheme recommended

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By Kaizer Nyatumba

When interest rates are low the home loan repayment period should be shortened, the president of the Institute of Estate Agents of South Africa, Mr K H Wakefield, said in Johannesburg yesterday.

Opening a national symposium on the effects of interest rates on housing in South Africa, Mr Wakefield said the present 30-year bond repayment schemes offered no latitude for any extended period.

Shortening the repayment period when interest rates were low and extending the period when interest rates escalated would "cushion the monthly financial burden," Mr Wakefield said.

He urged delegates to consider:

- The possible establishment, when interest rates are low, of a central stabilisation fund into which people would pay so that when interest rates increased the fund would provide financial relief.
- The shortening of the repayment period when interest rates were low so that when the rates rose the period could then be extended.
- A prescribed investment which insurance companies would be obliged to retain with financial institutions, on the understanding that these investments would be used solely for housing loans.
- The modification of South Africa's "far too high" building standards which served to increase the cost of housing.

R30m gift

CAPL Times 7/7/89

to public

servants

Political Staff

PUBLIC servants who already receive annual housing subsidies totalling some R334 million are to get a further R30m in interest assistance this year.

Administration and Privatisation Minister Dr Dawie de Villiers announced yesterday that public servants would receive interest subsidies of between R40 and R80 a month from June until the end of the financial year.

The announcement follows hard on the heels of the government's decision to pay R128m from its R1 billion contingency fund in bonuses to social pensioners. Opposition spokesmen said the timing of both announcements was clearly linked to the coming election.

Government sources said that more than R500m of the contingency fund had been allocated in the first quarter of the financial year.

A spokesman for Dr De Villiers's office said it was not certain whether the interest subsidies for civil servants would also come from the contingency fund. It was possible that the subsidies could be funded from savings by the Commission for Administration.

At present, civil servants receive full interest subsidies on mortgages up to R50 000. A civil servant with a R50 000 mortgage receives an interest subsidy of R516 a month.

A total of 54 000 civil servants receive the subsidies and qualify for the supplementary payments. The spokesman said it was expected that R30m would be spent on the supplementary subsidies in the ten months to the end of the financial year.

Dr De Villiers said that interest rates on mortgages had reached high

levels which had brought financial pressure to bear on personnel in the public sector.

"These pressures cannot always be accommodated within normal monthly budgets."

He added: "The government has therefore decided to institute a supplementary monthly housing subsidy to alleviate this financial burden and to ensure that personnel in the public sector are not exposed to situations where they no longer can afford to keep their existing houses."

Dr De Villiers said that as interest rates decreased, the supplementary subsidy would be reduced and gradually phased out.

Democratic Party finance spokesman Mr Harry Schwarz said: "It looks as if the R1bn kitty is being syphoned off one day at a time in a way which is very convenient for the government from an election point of view."

To page 2

From page 1

'Sweetener' for public servants

Mr Schwarz said it had to be asked why, if the government felt it necessary to assist civil servants, it had not done so at the time of the budget.

"What about the ordinary man in the street and his problems which are far bigger than those of civil servants?"

Instead of adopting a total approach to dealing with the country's economic problems in the budget, the government was now providing for special interest groups.

When the government created the multi-million-rand "slush fund", Mr Schwarz said the money would be used for buying votes, "and this seems

to be what is happening".

"The next thing you know, the government will be exchanging R10 cash for each vote."

Mr Keith Wakefield, national president of the Institute of Estate Agents, said the supplementary subsidy was "inflationary and comes at a time when everyone should be sticking to their budgets. Who will look after the private sector?"

Mr Peter Gastrow, MP for Durban Central and DP spokesman on manpower, last night slated the announcement.

"The hand-out is so blatant it is cheap," he said.

"This, together with the recent pension hand-out, makes one wonder why the Electoral Act has a clause preventing candidates from 'treating' voters."

"It is an indication that all other messages of political persuasion by the government have run out. Instead of being a sign of confidence, this is one of desperation."

Current limit is 'too low'

CM 7/18/89
8/7/89

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By PETER DENNEHY

PUBLIC servants are pleased with the R30 million "interest assistance" the government will give them on their home loans — but now they want more.

Mr Hans Olivier, general manager of the Public Servants' Association, yesterday welcomed the R40-R80 a month supplementary housing subsidies announcement yesterday, but complained that the present R50 000 limit — beyond which bondholders are not subsidised — was too low.

Few three-bedroomed houses cost less than R85 000, he said, and therefore the current limit was too low.

Over the years, his association had made representations several times for an increase in the limit, and it regarded the announcement as a response to its requests.

The chairman of the Teachers' Federal Council (TFC), Professor Hennie Maree, complained that the subsidy limit had not been increased since 1983.

'Untenable position'

"A large number of government employees who were compelled to obtain mortgage bonds of R80 000 and more, are at present in an untenable financial position — especially a large number of young people."

The TFC had been negotiating with Mr F W de Klerk to lift the limit, and for "interim emergency procedures" for those with bonds over R50 000.

"Certain understandings have been reached with the Minister of National Education," Mr Maree said. "The benefit as announced is unfortunately not in keeping with the arrangements agreed to. Therefore the representations of Council were only partially successful."

● The granting of an additional housing subsidy to public servants was another "election ploy," the Conservative Party said yesterday.

CP spokesman on Administration and Privatisation, Mr Fanie Jacobs, said the NP Government was trying to create the impression it was helping civil servants, but it was the taxpayers who were in fact carrying the financial burden of the new subsidy.

The Democratic Party candidate for the Florida constituency, Mr Norman McFarlane, also noted the move as "a vote-gathering tool" for the NP.

(News by Peter Dennehy, 122 St George's Str, Cape Town; P Strijdom and Ken Daniels, 141 Commissioner Street, Johannesburg)

● 'NP' talk 'unsurprising' — Page 2

HOW

WAS IT

By Udo Rypstra

SALES of low-cost houses are tumbling as South Africans brace themselves for tough financial times.

Brian Longley, an executive of the Family Housing Association, says building operations by his organisation have dropped by two-thirds because high interest rates are killing demand.

"A percentage point increase in the interest rate means a R20 rise in the monthly bond instalment on a R25 000 house. The building societies' test is that instalments should not amount to more than 25% of a family's monthly earnings. To stay within the 25% rule, the family must earn R80 more for every percentage point increase. There have been several rate increases in the past year, making repayments onerous."

Mr Longley expects the position to worsen in the next six months.

However, in the middle-

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Low-cost houses take a beating

and upper-income house markets, rising interest rates have failed to curtail demand because in most cases the employer pays for the increase.

Property economist Erwin Rode believes employers should do away with housing subsidies for those who are not first-time buyers.

The only subsidies should be for starter families (first-time buyers) in genuine need of financial help.

Mr Rode, whose research material is incorporated in economic reports by the Stellenbosch Bureau for Economic Research (BER), says the Government should phase out its subsidies for the public service by 1992.

"Mortgage bonds form by far the largest proportion of

the consumer's debt burden. Hence, consumers are largely interest-rate insensitive. The practical effect of this is that in order to dampen the economy the monetary authorities have to clobber the business and farming sectors with excruciatingly high interest rates before consumers start heeding the signals."

Mr Rode says this explains why the economy has been so slow to react to the credit squeeze.

Luxurious

He says subsidies should be converted into pay-packet cash:

- Subsidies allow non-starter families to own or rent accommodation of a size or standard which they would otherwise not have been able to afford, leading to the provision of more luxurious housing.

- Because subsidies have become so widespread, it is doubtful whether this benefit keeps employees captive to an employer. Once this benefit is tax neutral in 1992, the subsidy will be even easier to quantify on an after-tax basis, enabling employees to compare like with like more readily when considering a job offer from a non-subsidy company.

- Subsidies enable employees to maximise their after-tax remuneration package. Many employees are forced from time to time to trade up their housing accommodation to achieve the full use of their remuneration package. This type of fringe benefit is still tax efficient because on an after-tax basis it is still worth more to the employee than the before-tax cash equivalent. However, the tax advantage will be phased out by 1992.

Assurance

- Because of the demand for bonds by non-starters, building societies and banks have less money for low-cost housing or productive projects, like financing commerce and industry.

Mr Rode says that if the Government follows the suggested approach, State employees should be given the assurance that when the cur-

rent scheme is abolished by 1992, the benefit will be quantified and added to the gross salaries of those receiving the fringe benefit.

In the meantime, all State employees who otherwise would have become eligible for the scheme, such as new appointees, should receive the monetary value instead of the subsidy.

The Government should also announce a separate assistance scheme for its own starter employees only. It should be phased out within seven years of an employee's joining the scheme.

Average

Aida Real Estate group chairman Aida Geffen says that in the first five months of 1989, the number of middle- and upper-income units sold was 2,5% higher than in the same time last year.

The average price of all houses sold by Aida was R108 718 — 5,57% higher than in the same time last year.

"Agents, however, are having to work a lot harder to clinch sales. There are fewer homes available and we are experiencing a slowdown in buyer support."

Sapoa attacks timeshare irregularities

*Off Times
12/7/89*

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By GODFREY HEYNES

THE SA Property Owners' Association (Sapoa) is on the warpath against timeshare developers practising "irregularities", and plans to take a tougher line with errant developers in order to improve standards for buyers.

Executive director Peter Erasmus says, "although the SA Property Timeshare Contract Act is considered one of the best in the world, it has become necessary to tighten the screws on developers, who do not tow the line.

"We have reached a watershed mark and now need tighter self-regulation," he says.

"We intend to be tougher and stricter when granting approval to developers in future.

"Now that SA developers have had time to find their feet and sort out their teething problems, there is no reason why we should not raise standards even higher for our own members in order to make our membership more meaningful."

Therefore, Sapoa is drawing up a revised membership application form which will demand higher standards to be met.

Sapoa's current code of ethics is being re-written in order to eliminate loopholes and the disciplinary committee is under revision, as is the minimum standard for application.

Therefore, all current members will need to re-apply. If they cannot meet the new standards, they will be asked to leave — and desist from using the Sapoa code of ethics logo.

Sapoa intend to exercise firmer control, not only over its own members, but presenting government with a dossier of malpractices that have been reported for further action.

Sapoa stresses that any disillusioned timeshare owner who believes he has a valid complaint should contact them directly.

'SAFETY NET' WARNING

HOMEOWNERS who are feeling the pinch of increased bond rates should negotiate with their building societies or banks rather than take up government's offer of bond relief, said Scott McRae, MD of Camdon's Nationwide. McRae said government's "safety net" for bond holders is not a subsidy.

"This has been made clear by Pretoria. It simply means that the reduced monthly payments are capitalised over the balance of the life of the bond and, in fact, the bond holder ends up paying more." 123 10/11/87
Capitalising, he explains, involves spreading the difference between the reduced bond payment and the market rate over the rest of the bond. Interest is paid on the amount, and ultimately the house costs more.

"The monthly payments decrease because the interest rate is pegged at 17% for three years, but interest rates will almost certainly soften in less than three years' time.

"Homeowners who take advantage of the relief scheme will then be paying more than their counterparts who did not," McRae said.

"Instead, homeowners can obtain similar relief from their building society or bank — and not be locked into paying 17% for three years."

New deal for the old timers

By Udo Rypstra

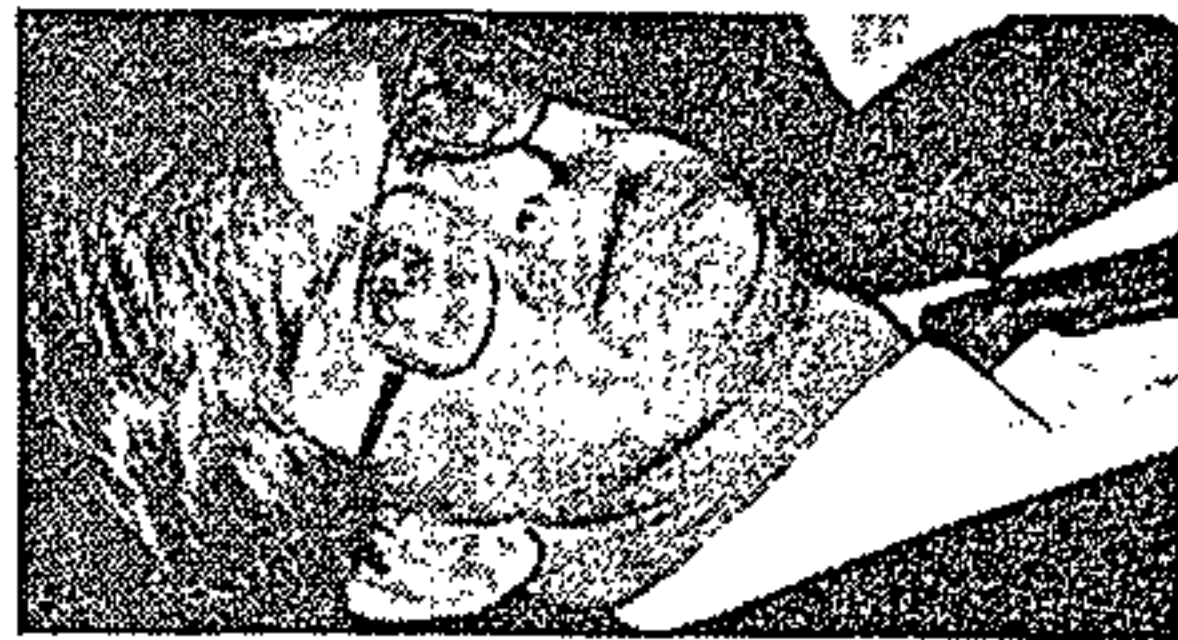
NEW rules for retirement villages are expected to start a shake-out among developers and give more protection to pensioners.

Several developers have stopped advertising since the promulgation on June 30 of regulations under the Housing Development Schemes for Retired Persons Act.

Local Government, Housing and Works Minister Amie Venter and Economic Affairs Deputy Minister Theodor Alant say some people suffered large losses after investing in certain schemes.

Under the new regulations, developers have to disclose certain minimum information about their schemes in advertisements. Some developers' documents must also be available for inspection by the buyer. If the unit is not completed at the time of purchase, the money must be kept in trust at a financial institution.

University of Port Elizabeth professor



Carl Scheppening... big is best for village pensioners

of mercantile law Henk Delpoort analyses the Act in Juta's SA Property Journal.

He writes: "The Act will go a long way to protect buyers of housing interests in development schemes. The legislation obliges a developer to disclose fundamentally important aspects of the scheme to prospective purchasers (if

they are retired persons). However, the legislation does not guarantee that a buyer may not experience problems with his purchase at a later stage."

He suggests that those who do not understand the legislation or the implications of the disclosures made to them should obtain professional advice.

South Africa's largest RV developer, The Board of Executors (BoE), which has launched a R50-million village in Tyger Valley, Bellville, says the market is now much the domain of large corporations. They can pool their resources and hold out until their sales allow them to break even or show a profit.

Managing director Carl Scheppening says: "The future will hold tighter legislation which will scare off the dubious element which was anxious for easy pickings."

"But there will always be room for the small, ethical developer who has a well-thought-out scheme on prime land."

Big developers who followed BoE in

STRICTER VILLAGE CONTROLS

the market include LTA, Basil Read, Clifford Harris, Lomrho and Sanlam.

Mr Scheppening expects other large financial institutions to enter the market and to bring a more uniform management system supported by financial experience.

BoE, which administers R1.5-billion of assets including 10 other retirement villages, develops in partnership with conglomerates. Its Khaysna Belvidere Park, for instance, is being built together with Clifford Harris, construction arm of the Basil Reed group.

In Randburg it is marketing Sunrise Estate, which is being developed by Lohrho civil engineering company Matrix.

Matrix used to concentrate on commercial and industrial buildings.

BoE has underwritten the Tyger Valley project — Tamarisk — with Grinaker, Anglovaal and First National

Bank. Grinaker subsidiary Condecor is constructing the project on 8ha of prime land where three old quarries have been filled with water to make dams. The surrounds are being turned into a bird sanctuary.

Mr Scheppening says the trend is for large villages because they are less expensive. Because of economies of scale, they can provide more leisure and medical facilities than a smaller complex.

"It stands to reason that a village supporting 300 homes can afford bigger and better and more swimming pools, club houses, restaurants and sick bays. The cost is divided proportionately amongst a large group of owners."

BoE, like other large developers abroad, believes that responsibility does not end when the sales contract is signed. It offers administrative and financial management support to ensure that the development does not run into financial difficulties.

Older people, he says, are unable to fight financial battles with developers and should buy from blue-chip companies with a good reputation and much experience.

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Step-by-step guide for homebuilders launched

By Norman Chandler,
Pretoria Bureau

A housing package which could play a big role in the provision of houses to lower income groups has been launched by a Johannesburg company.

The package provides a step-by-step plan on how to build a house, what it would cost a potential home owner, and how a

person can go about finding financial assistance.

It gives advice on floor and wall construction, the fitting of doors and windows, and plastering, painting and finishing.

Devised by civil engineer Mr R V Alexander, the "Easy House Plan" package also includes drawings of plans. The plans have been drawn by an architect to meet the standards required by the national building

regulations.

"Each plan can be followed either using normal bricks or concrete blocks. The package may also be of assistance to people wanting to build garages or other out-buildings on existing properties," Mr Alexander said.

A feature is that the package caters for people who are, because of the cost involved, unable to construct more than one

or two rooms.

By providing diagrams detailing future expansion of the house, they can expand it when extra finance becomes available.

The package also includes a list of building materials and a detailed bill of quantities.

The package is available from P O Box 583, Kengray, Johannesburg 2100 or telephone (011)-646-3902.

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'Housing Monitor' to help non-white home seekers

Help is at hand for house hunters in the so-called "non-white areas" where traditionally there has been scant information about what housing is available and where.

A new publication "The Housing Monitor" will be released towards the end of August to fill a serious information gap and to help people make the biggest investment of their lives.

"Buying a house is always a major decision for any individual or family," says Mr Mike Morke, of SPT Housing Consultants, responsible for the new guide.

"Making the most appropriate decision about

which house to buy depends critically on the availability of sufficient information about the choice of houses available.

"This shortage of information is especially acute in the black, coloured and Indian communities. It is also a major problem employers face when implementing housing schemes."

The monitor will focus on the supply of housing and serviced building sites in black, coloured and India markets in South Africa, the TVBC states and the self-governing homelands.

The first edition of "The Housing Monitor" is aimed mainly at employers wishing to assist their

employees improve their housing circumstances.

Information is being gathered from the Urban Foundation Group of utility companies, the SA Housing Trust, building society development corporations and other well-known private sector developers as well as a number of smaller firms and emergent black contractors.

In addition relevant government departments are being canvassed. In total about 1 000 public and quasi-public sector authorities will be invited to contribute information. The monitor will be updated three times a year.

APR 11



Only whites will benefit from new subsidy for home buyers

By TOM HOOD, 18/7/89
Business Editor

ONLY the white population group will benefit from changes in the government's bond subsidy to first-time home buyers.

The subsidy on newly-built houses has applied to all population groups for several years but from this month the scheme has been extended to buyers of existing houses and flats in white residential areas.

Mr Trevor Olivier, NBS assistant general manager, said government sources claimed this was an attempt to fulfil a need in the white sector — where there is a housing surplus.

But in the black, coloured and Indian sectors, there is a major shortage of housing and there is a critical need for new homes, Mr Olivier said.

Subsidy

By offering subsidies on new homes only, the government hoped to stimulate development.

The conditions applicable to the subsidy of new houses for black, coloured and Indian population groups remains unchanged, he said.

First-time buyers in white areas are now able to apply for a government subsidy on existing properties which do not ex-

ceed R65 000 in total value for buildings and land.

"This will be of enormous benefit as it means many potential buyers will be able to buy properties which in the past they could not afford.

Repayments drop

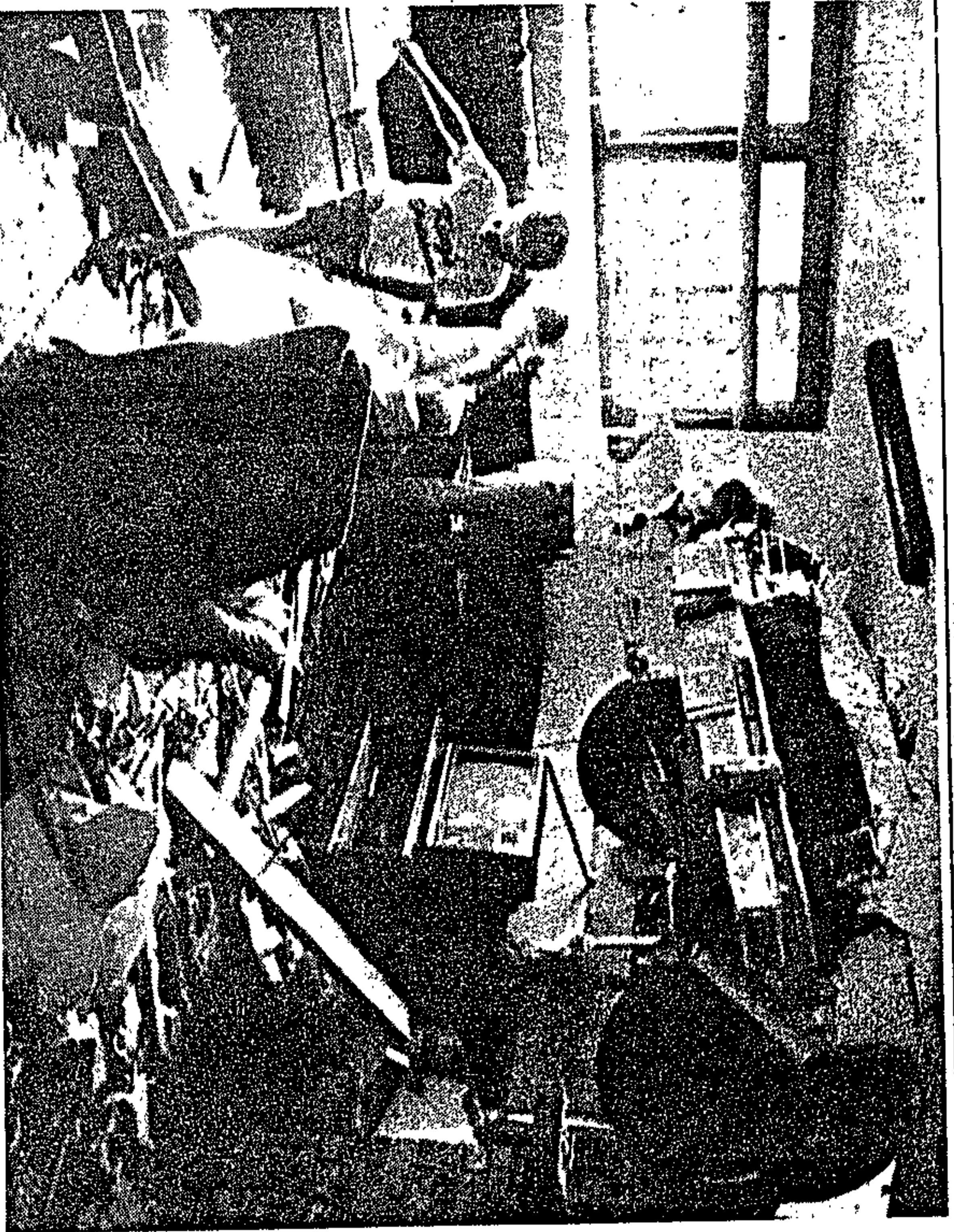
"At current interest rates, repayments on a R60 000 property are R990 a month. This means a purchaser must have a monthly income of about R3 300 to qualify for a building society loan.

"Now with the government subsidising one third of the monthly interest, repayments drop to R774 based on the maximum subsidy of R216 a month, which lowers the qualifying income required to about R2 580 a month for the same property."

For whites, the system has changed for both new and existing housing and application must be made to the Department of Land Affairs in the House of Assembly for approval of the subsidy prior to applying for a loan.

Mr Olivier said the new scheme applied to loans granted after July 17 only.

● More than R70-million has been paid to first-time home buyers of all population groups since the scheme began in 1985, reports the Department of Land Affairs in the House of Assembly.



NEW GARAGE: Jeremy, left, and Darin Sobers of Norfolk, Nebraska, tiptoe through the wrecked basement of their home as building contractor Mike Voigt measures the damage caused by a stolen car that crashed into the house. No injuries were reported and police are still looking for the occupants of the car, who fled immediately after the accident.

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Jan 2017/89

Gazetting holds up bond relief scheme

By Helen Grange

A number of homeowners are anxiously waiting for the Government's relief scheme for bondholders to be gazetted tomorrow at the earliest.

About four applications for relief have been made daily at building societies and banks countrywide since the scheme was announced last month.

But it cannot be implemented until it has been announced in the Government Gazette.

The scheme is applicable on existing loans of which the current outstanding amount does not exceed R90 000 and in respect of which the present available valuation of the property amounts to a maximum of R120 000.

Homeowners in this category who receive assistance will pay an instalment of only 17 percent, although interest will be calculated at the full rate.

The caveat is that participants will carry on paying 17 percent even if interest rates should subsequently fall below this level until the deferred portion guaranteed by the Government has been repaid.

Staff Reporter

NOT a cent has been budgeted this year for housing for farm labourers, Mr P J Joubert, of the Berg River Farmers' Union, told the 10th annual Western Cape Agricultural Union congress yesterday.

He said 23,6% of the total South African population lived in rural areas, yet only 1% of last year's R1 000 million housing budget — R10m — had been allocated to farm employees' housing.

"Is this not a tragedy?" Mr Joubert asked. "What can we do with R10m? It's only 1% of the housing budget to keep people on the

No budget for housing farmers

Cape Times 20/7/87
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platteland and ensure that our whole population does not end up in decline around our cities."

It was "a crying shame" that police had been told to search farmers' bakkies and confiscate a certain variety of lucerne seed, Mr John Robertson, a farmer, told

the congress.

He spoke during a debate about the activities of the Lucerne Seed Board, which tried to stabilise production of the seed thus avoiding vast price fluctuations and to introduce new pest-resistant strains.

"I feel that the danger of over-production is exaggerated," Mr Robertson said.

"It is a crying shame that the free market mechanism is interfered with in this way and ordinary people are made into criminals. The fault lies with the system."

Seller beware - your price may be too high

Star 22/11/87
123 **ESKEL JAWITZ**

DESPITE high interest rates, the residential property market has remained positive. This is borne out by a shortage of good quality homes for sale, healthy (albeit nervous) buyer demand, no sign of panic selling and reasonably firm prices.

However, looking at prevailing market forces and focussing on the shortage of quality homes, it's possible that some agents are deliberately over-valuing properties to get sole mandates.

This trend could be dangerous and detrimental to you, the seller, if you make firm financial decisions based on valuations received from estate agents who appear confident and enthusiastic, yet could be misleading you. You may run the risk of your property falling far short of the asking price.

Consider the following examples of unrealistic valuations and their potentially dangerous financial implications to the sellers: an Illovo property listed in March at R975 000 was sold for R565 000 six showdays later; a house in Athol, offered at R895 000 during February, was sold in May for R675 000; and a property in Parktown North, originally valued at R350 000, is now on the market at R250 000 and still not sold.

To buyers, this pattern could indicate that the market is fluctuating, if not dropping. This is not so. In the examples given, houses have been over-valued, wrongly priced and as a result badly marketed. Obviously, when selling you want the highest-possible price. However, on the other side of the coin, no buyer will pay an unrealistic price for your house.

To set a fair asking price a comparative analysis is essential, as market value is largely determined by the prices other sellers accept or, alternately, cannot achieve. In addition, while you are the final arbiter

of the price you accept for your house, it is the buyer, not you or the estate agent, who determines its real market value.

Ideally, no house should ever be priced more than 10 percent to 15 percent above the final selling price. If it is, it more often than not sells for even less than its correct valuation.

I am repeatedly surprised to find that sellers accept inflated valuations and unrealistic prices without substantiation or information on real market trends.

To avoid the problem, you have the right to ask an agent for comparative and informed market analyses; what similar houses in the area have recently sold for in relation to their original asking prices; which houses in the area are in the market and at what price; and which properties have been withdrawn from sale because the market value did not meet the seller's expectations.

Paradox

All of these are vital questions, highlighting the need for you to be informed of a paradoxical situation in the property market: despite rampant inflation and a dramatic rise in the cost of building materials and labour, house prices are not increasing proportionately.

This scenario is not new, but is repeated time and time again.

To make sure that an agent is giving you an estimate of real market value, remember three things: the replacement cost of a house has nothing to do with its real market value; market value is determined by what the buyer is willing to pay; and, last but not least, the buyer always determines market value by comparative assessment, comparing the accommodation, features and prices of the various houses on sale.

Govt aid to homeowners does not tackle problem'

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EDWARD WEST

SA would not survive its economic mess if homeowners were helped whenever interest rates hurt, Association of Mortgage Lenders Director Tim Hart said in Johannesburg yesterday.

Addressing an Institute of Estate Agents symposium which looked at ways of alleviating high interest rate burdens on homeowners, Hart said one could not keep switching from an enterprise system to a controlled economy every time interest rates started to rise.

Problems in the economy were due to an unmanaged balance of payments and an unacceptably high rise in the money supply.

The economy was riddled with subsidies. Three-quarters of the authorities' efforts to control money supply were therefore negated, he added.

Granting subsidies in one form or another was merely tackling the symptom and not the cause. Interest rates were not the real problem for homeowners, but the inflation rate.

Institute of Estate Agents president Keith Wakefield said methods that could be considered to relieve the burden of high interest rates included a central fund cushioning high interest rates, and the reimposition of prescribed asset requirements.

Other considerations were a policy developed by insurance companies to hedge homeowners against rising interest rates, the reintroduction of tax-free investments and the lowering of housing standards.

Interciti Real Estate MD Moira Wingate-Pearse said the mortgage bond interest rate had risen more than 50% over a 14-month period and an increasing number of bondholders were defaulting.

One can walk the streets of Johannesburg and see himself as he speaks.

Professor Sampie Terreblanche was even Klerk and his provincial leaders, which are

DATA: THE DE BUREAU OF STATISTICS

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Examining solutions to the housing dilemma

The enormity of the black housing shortage has been laid out in estimates that to close the gap would need a programme to build no fewer than 200 000 new homes every single year over the next decade — a total of R69 billion or more.

Far less has been spoken about new strategies to bring home-buying within the reach of lower-income families who bear the brunt of the problem. Or who will finance the entire operation. And on what terms.

The dilemma was highlighted at a recent conference by Mr Mike Maisela, a director of Co-ordinated Marketing. Among the facts he quoted:

Interest payments

● More than half of all black households, even bursting a few budget arteries, would be financially unable to meet even the interest payments on a normal bank or building society home loan — let alone find the cash to wear down the capital balance on the bond.

● Only about 12 percent of them can afford an unsubsidised bond of R30 000 or so, still well below the size of the national average in loan balances.

Mr Bob Tucker, managing director of The Perm building society, however, be-

We all know there is a severe shortage of lower-income housing. But perhaps the first step is not to view the problem with dismay but to seize the challenges and opportunities it offers, reports MICHAEL CHESTER.

believes there may be solutions — if South Africa grasps the nettle with radical new thinking.

"The first essential is to view the problem not with dismay but with an enthusiasm to seize both the challenges and opportunities it offers," he says.

"On the positive side, it offers the chance to create thousands of new jobs to fill the labour pool needed to tackle house construction on a massive scale, launch lots more small businesses in the building trade, create much more social stability.

"The challenge is to escape the alternative: rapid expansion of slums, worse unemployment, unrest and the remorseless decay of the family unit in society.

"What has become crucial is a totally new attitude and interaction of radical fresh ideas on how to deal with the issue."

Among the proposals Mr Tucker wants to see on the agenda for a brand new plan of action to reshape home loan finance:

● Pension funds should be persuaded to think in terms of retirement benefits as a whole rather than simple pension payments.

What better retirement benefit, Mr Tucker would like to know, than a fully paid house?

● New legislation to pledge viable security for home loans mobilised out of the savings resources of insurance companies, pension funds and corporations — perhaps with subsidies to motivate more loan schemes.

● Radical new home bond packages that allow monthly repayments to start on a low scale and move higher in notches as incomes grow. In other words, packages that take into account how bigger loan instalments can be matched by gradual increases in wages and salaries that also entail increases in contributions.

● No interference with free market mechanisms used by the private sector to device new innovations.

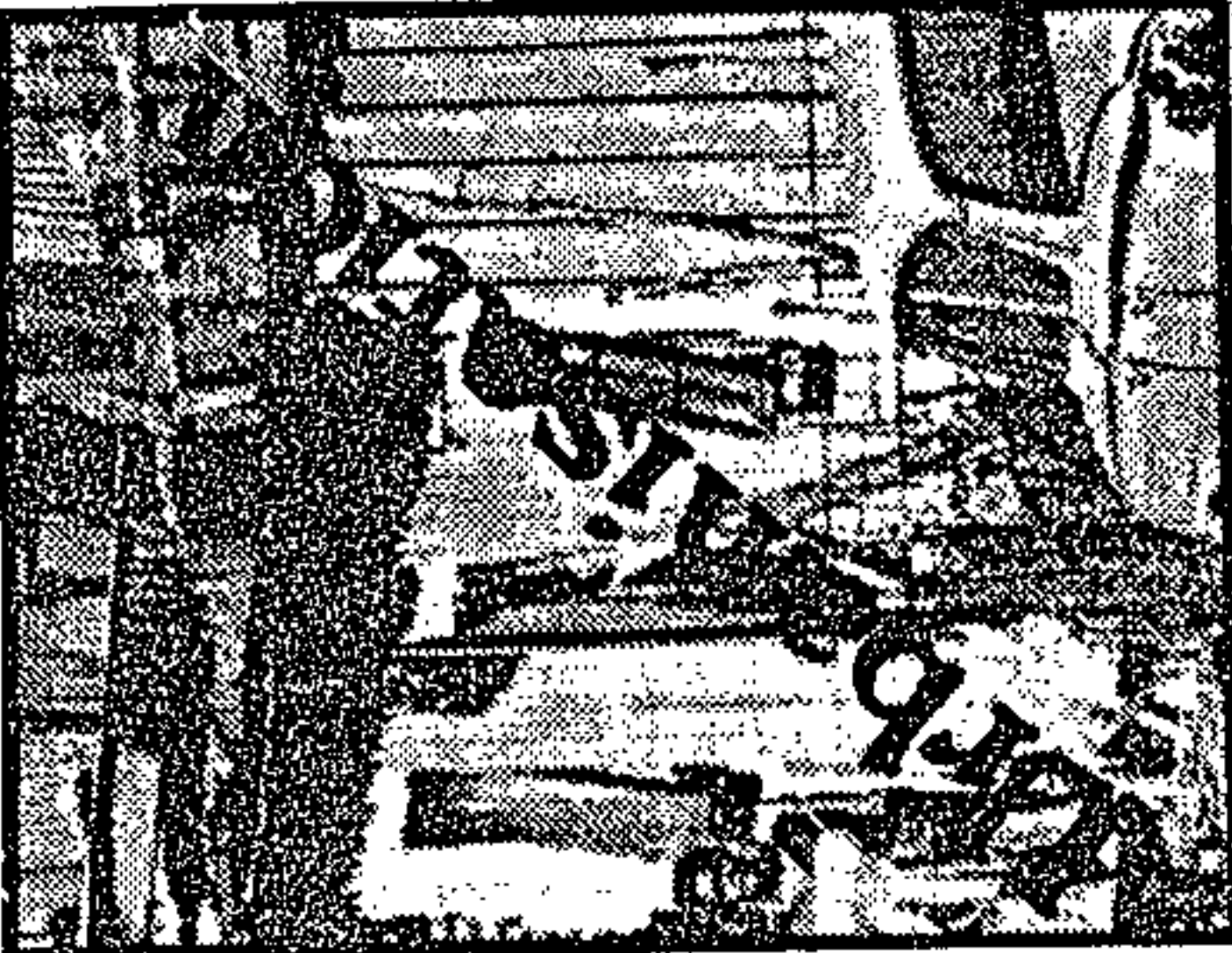
Here, Mr Tucker is especially anxious that the Usury Act should not inhibit the granting of loans to lower income groups, which usually involved higher administration costs than normal.

He is convinced that the time is fast approaching when there will be varying differentials on mortgage rates that will be linked not to the actual size of home bonds but to the risk factor and administration cost of each home loan.

In short, bond rates may need to look and operate very much like the overdraft rate on a bank account.

"At present," he says, "all financial institutions are using variable mortgage rates that simply follow inflation trends. But the system goes off the rails if inflation goes above 20 percent."

"That has been clearly demonstrated in South Africa only lately, when increases in



bond rates from 12,5 percent to 20 percent have not been matched by increases in wages and when property values have not only failed to stay abreast of bond increases but have actually declined over the identical period.

"Extraordinary schemes will have to be introduced and if inflation continues at its current level, or moves even higher, we are all going to have to think hard about new solutions."

Among the possibilities:

● If the standard of housing is lowered to

accommodate lower income families, the prospective home-owner could put down a bigger proportion of total costs and the term of mortgage payments could be shortened.

That would leave scope to introduce sliding scales in monthly payments, starting low and moving upwards with gradual rises in income, plus the choice of variable rates, or index-linked rates, or other innovations.

● If financial institutions were expected to involve themselves in loans in the lower-income market, where mortgages were riskier, some sort of insurance or guarantee fund would be needed to spread the risks.

Rental accommodation

Yet Mr Tucker fears that even with the full commitment of financial institutions and with a well-oiled mechanism to deliver the finance, about 55 percent of black families would still not be able to afford home ownership provided by the private sector.

"It is significant," he adds pointedly, "that today there is virtually no private sector owned rental accommodation for occupation by black people — despite the fact that a rented home is all that can be afforded by a very substantial portion of the black community."

"Again I would advocate free market mechanisms for the delivery of such rented accommodation — and if necessary direct subsidies of rentals for those who cannot even afford full rent."

"The financial institutions have a huge role to play — if radical new thinking goes into solutions."

Slav 28/7/89

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Retirement funds hold key

Bold plan to make housing affordable

Staff Reporter

South Africa's housing crisis could be eased if the Government accepts an insurance company's bold plan to make housing affordable by linking deposits and bond repayments to retirement benefits.

The plan unveiled at a two-day conference in Johannesburg on pension and provident funds proposes that all available resources be focused on meeting employee needs, particularly housing needs.

Old Mutual's assistant general manager, Mr Henk Beets, said yesterday the proposed scheme would accelerate home ownership.

Retirement

It would also increase the "portability" of retirement benefits, he said.

On trade union agendas, housing was possibly second after retirement benefits, he said.

Mr Beets said in an interview that Old Mutual was involved in negotiations with two large employer organisations and a trade union which had shown interest in the plan.

"We have two specific schemes that we are working on at the moment and we hope to use them as a role model. We hope to take the two schemes to the civil service authorities for approval." The scheme would then be expanded.

The plan calls for retirement accumulations to be made available as deposits.

It would take an employee earning R600 five years to accumulate enough to afford a deposit for a house costing between R20 000 and R30 000.

The plan would also involve the diversion of ongoing retirement contributions towards bond repayments.

"When Government and employer subsidies are put together with the employee's own contributions to the fund, the bond repayment period could be cut to 15 years instead of 25 years on a R30 000 bond."

The proposed plan would make access to housing finance easier and more affordable for the majority of the population who are currently not catered for, Mr Beets said.

Options

Other options could be for employees to leave employer's contributions in the fund to be used for other benefits like death and disability cover. The retirement fund could also provide additional death cover on a bond. After paying the deposit, the employees could resume fund contributions to accumulate retirement benefits.

However, the major problem appears to be the building societies, which largely have fixed financing administration costs.

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Housing costs to come down probe

SOUTH African middle class house prices were levelling off and could even be heading for a slight decline toward the end of the year, according to the latest analysis of nationwide building trends by the Bureau for Economic Research (BER) at Stellenbosch University.

The BER study showed that these house prices have been levelling off since around June last year.

This meant that the Rode house price index - the National Monitor of House Prices - was kept aloft during the last six months of 1988 as a result of growth in the price of

houses in upper income and lower income suburbs.

A BER building research analyst, Mrs Ursula Segalla, said that the bureau's analysis of house price data as at the end of last year showed that by December 1988, the growth in the price of upper and lower housing had brought the average growth in house prices to an average annualised rate of about 15 percent.

"It is interesting to compare this with the peak growth attained in September 1987, when average house prices briefly grew at a rate exceeding 20 percent," Mrs Segalla said. - Sapa.

Star 28/7/84

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Housing crisis: plan to tap pension funds

Finance Staff

A new plan linking pension schemes to the financing of home-ownership is expected to help ease South Africa's housing crisis.

The plan, which sees owning a home as part of the total retirement package and to help first-time buyers meet their bond commitments, was disclosed at a conference in Johannesburg yesterday.

Insurance companies have been under pressure from the Government for years to channel into housing some of the billions of rands they invest each year on behalf of policy holders.

The scheme, proposed by Old Mutual, would mean that the joint pension contributions by employers and employees, plus any State or private subsidies, would be channelled into the purchase of houses — especially for those who would not otherwise be able to afford the deposit.

The retirement fund contributions would accumu-

late until there was sufficient for the deposit.

Monthly contributions would then be used as bond instalments, enabling higher repayments.

The combined bond payments would reduce the repayment period, and once the home was fully paid for, would revert to providing funds for retirement.

Old Mutual executives said they believed it was a viable model.

Old Mutual assistant general-manager Mr Henk Beets said the idea solved two problems in the provision of housing for lower-income groups: the shortage of capital available for low-cost housing, and the lack of systems to make houses more affordable for those buyers.

Private involvement

The concept was based on the understanding that it was crucial for the private sector to become involved if South Africa's housing crisis was to be solved.

While pension funds could invest in low-cost housing, the money to pay for them had to come from somewhere, which meant either reduced benefits or increased contributions from members.

Investment in housing schemes also had certain risks for pension funds: control of the investment; guarantees of the credit; and avoidance of management involvement.

Most of the population earned less than R1 000 a month and could not afford to buy homes costing more than about R18 000.

The low income level had made it difficult to save enough for a deposit on a house, and the preferences of building societies and developers were for houses in the R47 000-upwards range — well out of the reach of most wage earners.

"Buying a home must also be seen as part of preparation for retirement," said Mr Beets.

East, West

home's best

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investment

SOUTH AFRICAN middle-class house prices are leveling off and could be heading for a slight decline this year, reports the Bureau for Economic Research at Stellenbosch University.

This news may cause some discomfort to most middle-class people with a house, in most instances their largest single possession.

The property cycle is very much linked to the overall economic cycle, albeit with something of a time-lag. While several leading economic indicators started declining early last year, property values are only now starting to react to the various austerity packages announced by the Government.

But shrewd property investors will not see a slow-down in property price as a cause for concern. Rather, it presents an opportunity for investors who are brave enough to weather a possible further downturn.

Whether this likely to happen is dependent on the performance of the economy next year and, more importantly, events on the political playing fields.

During the 1985/86 recession property prices in South Africa dropped in real terms for the first time since 1961. The reason for this phenomenon was to be found in the sharp drop in the political future of the country, more than in the high level of interest rates. This is unlikely to happen again, suggesting that any decline in property prices is bound to present an excellent buying opportunity.

Another point to emerge from the BER's survey on the prop-

Money Matters

MAGNUS HEYSTEK



ty market is that it now costs more to build a house than to simply buy a house of comparable quality and location.

From mid-1986 building costs have started to outpace the growth of purchase prices and it is clearly more expensive to build rather than buy.

When the property market improves the prices of existing houses are bound to rocket. Some economists are on record as saying that property prices will soar by at least 30 percent when the economy revives.

Other factors that normally lead to upward pressure on residential property prices include a drop in interest rates which makes mortgage bonds more affordable, an increase in immigration, a growing economy, a rising gold price and, of course, inflation.

While average house prices have barely kept pace with inflation over the years, a house has been the best investment the average person could have made. The reason for this is twofold. Using mortgage finance to acquire a property creates a very powerful capital growth-generating mechanism. Capital growth is recorded on the full sum of the property, and not just on the initial deposit made by the home-owner. In a rising market the percentage returns can be quite staggering, far outpacing any other invest-

ment instrument available to the small investor.

The second reason is that it is not even an investment in the true sense of the word. Owning, or for that matter renting, a house is satisfying a basic human need. So what better than to provide for this need and still see substantial capital gains over the long term?

Buying and selling not as simple as they seem

BUYING and selling a house is not always as simple as they seem. Various factors have to be taken into consideration before a final decision can be made.

Chances are if you're selling your house you'll want to buy another. This includes both potential profit and risk. You need to be decisive and conversant with market conditions.

In my opinion you cannot buy and sell simultaneously — you cannot buy subject to sale, nor sell subject to purchase. You have to take a decision. Do you sell first, having to give a firm occupation date, and hope that you'll find a house to move into in time? Or do you buy first, giving yourself sufficient time in which to sell your house to pay for the one you've bought?

Market conditions

Irrespective of whether you buy or sell first, find out about market conditions — get acquainted with the market in the proposed area(s) of purchase, as well as that in your area of sale. At the moment you're likely to be selling and buying in a seller's market, where demand exceeds supply. That means you'll probably sell soon if your house is competitively priced, but might not find a replacement as easily.

Selling first

If you decide to sell first, the disadvantage is that you might have to move into a rented accommodation if you can't find a suitable house to buy immediately, or the house you buy does not have a well-timed occupation date. The advantage is that you will know how much money will be available for the purchase, and when.

Buying first

The advantage of buying first is that you may be able to move straight from one house to the other with minimal disruption to your family. However, the disadvantages are that you won't know



HOME SWEET HOME: Owning a home satisfies a basic human need and is still the best investment for Mr Average.

how much you'll get for your house, and whether you'll have to dip into reserves or arrange bridging finance to cover the purchase.

I have heard many buyers with a house to sell lament: "But what happens if I can't sell my house?" With respect, there is no such thing as a house that will not sell. There is only a seller who is not prepared to accept what the market will pay.

Conditional transactions

If you try to make a purchase of a house conditional upon sale of your own, what you're really doing is asking the seller to give you an option. And why should a seller agree to that? In addition, conditional purchase indicates uncertainty, that you're not sure about being able to sell your house. Again, why should the seller accept that risk on your behalf? He or she is just as likely to find another buyer, particularly in a seller's market.

Guidelines

If you're buying before selling, you really don't have to worry if you follow these guidelines:

Make sure there's enough time in which to sell your house — for your purchaser to pay you — to meet the commitment on the house you buy. Be realistic about what to expect for your house — establish what comparable houses are selling for in the area; ask the agent you're buying from for a true market valuation of your house; and, if still not reassured, call in a few other agents — but be sure they understand you want its market, and not insurance or replacement, value.

When making an offer on another house, be conservative about the funds you'll have available — base calculations on the lowest, not the highest, valuation of the house you're selling.

Final 4/8/89.

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HOME LOANS

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Rate for the risk

The relationship between risk and return is clear to every investor. The higher the risk, the higher the return expected. In the sophisticated world of corporate borrowing, this ratio is well understood and those who are not blue-chip borrowers expect to be charged more for their funds than the wealthiest clients who qualify for the best rates going.

To mortgage holders, however, the concept is not so familiar because provision of home finance (via building societies) started as a community project rather than a business.

Initially, members who subscribed to building society funds and people who borrowed them were identical and, when all the members were adequately housed, the society terminated. Later, the system was

extended to allow permanent building societies to provide loans for homes on a continuing basis — financed from funds raised in the retail market at a comparatively modest cost. More recently, changes in financial markets have driven societies to the corporate market for their funds, where they are far more costly.

So, with profits turning on tiny margins, building societies — and banks now also heavily involved in property loans — are considering alternative ways of structuring mortgage loans.

Differentiated rates which relate to the risk profile of a borrower and the administration costs of the loan are being considered "by all financial institutions," Perm MD Bob Tucker said last week at a press conference to announce his organisation's sponsorship of the Institute of Estate Agents' convention later this year.

"At present, whether you borrow 90% or 50% of the purchase price, whether your bond profile is high risk with high administrative costs or low risk with low administrative costs, you pay a flat rate. There is now consensus in the banking and building society industries that to get the market mechanism working so people can get the funds they need, we have to eliminate this subsidisation. The bond rate must be determined with reference to risk and administrative cost profiles."

This is, as he points out, a logical develop-

ment of free market principles.

What is not clear, however, is whether its introduction will help borrowers at the bottom end of the market, as Tucker claims. The lowest earners (and, therefore, less-favoured borrowers) with the smallest bonds (which means they carry highest administration costs) will attract the highest rates.

It will mean, of course, that lower-income borrowers can at least qualify for loans by increasing the ratio of interest payments to reduction of capital. Says Perm GM Denis Creighton: "If rates of return take into account administrative costs and if risk is adequately compensated for by the interest rate, more financial institutions will be induced to invest in this market (high cost, high risk) which would make funds more available and remove a bottleneck in the housing process." Which is fair enough.

On the other hand, he concedes, in these circumstances, "in the early stage of a long-term bond, the amount of capital reduction is negligible." If almost the entire monthly instalment goes to servicing debt, there is little room for manoeuvring when interest rates rise.

This produces a contradiction to the sentiments expressed in the speech with which Tucker preceded this announcement.

Speaking of the "vicious and at times destructive competition between financial institutions," he made several specific criticisms:

□ "In the crazy scramble to increase home loan portfolios, we induced borrowers to commit as much as 30%-35% of monthly income to paying monthly instalments. When bond rates rose (from lower levels) to 19%-20%, this proportion became 45%-50%;

□ South Africans used to have a minimum 20% stake in their homes. Now few South Africans have more than 10% and often have no stake at all. Worldwide experience has shown that, where an individual stake is reduced to below 20%, you get a significant drop in commitment to maintain the bond; and

□ The life of the bond is extended to its absolute limit — 30 years — and virtually the whole instalment goes to servicing debt."

These reservations would most certainly apply to those low-risk borrowers, who take the opportunity now offered, to raise expensive loans. ■

Growth from firm foundations

■ They supply different areas in black housing, but competition is looming

Two listed building materials supply companies, Cashbuild (CB) and Pennypinchers (PP), offer an entrance to investors attracted by the potential of the black building market. Both have grown fast — but whether they can continue doing so will be decided by strategic moves they are now making. Both will publish results in August — PP its interims and CB its finals.

CB is primarily a wholesaler, strictly for cash, of a restricted range of building materials to traders and builders mainly in the rural areas of southern Africa except the western Cape. Its customers are almost entirely black. PP (and Pennypinchers Boards), both controlled by the founder, Fasié Malherbe, are retailers for cash and credit (in a ratio of about 55:45) of a large range of building materials, hardware and homeware, mainly in the Cape Province, with a multiracial customer base.

In its latest financial year (to June 25 1988), CB's turnover rose 64% to R192m. Attributable profit rose 41% to R3,3m and EPS 32% to 15,6c; pre-interest margin declined slightly to 3,9%. This followed 42% EPS growth in the 1986-1987 year — CB was listed in June 1986 and had net cash of R14,5m at year-end.

PP's turnover in its year to end-December 1988 rose 71% to R110m; attributable profit was 78% higher at R2,3m. EPS rose 48%, to 16,2c; pre-interest margin rose 17% to 4,9%. But gearing rose to 0,73 (from 0,17). PP was listed in October 1986 and EPS grew 152% in 1987.

Though the companies say there is little comparison between them, they are heading towards closer competition. CB's growth will continue to be derived from wholesale, medium-term. Beyond that, it will be from retail and franchising, primarily in urban areas. PP

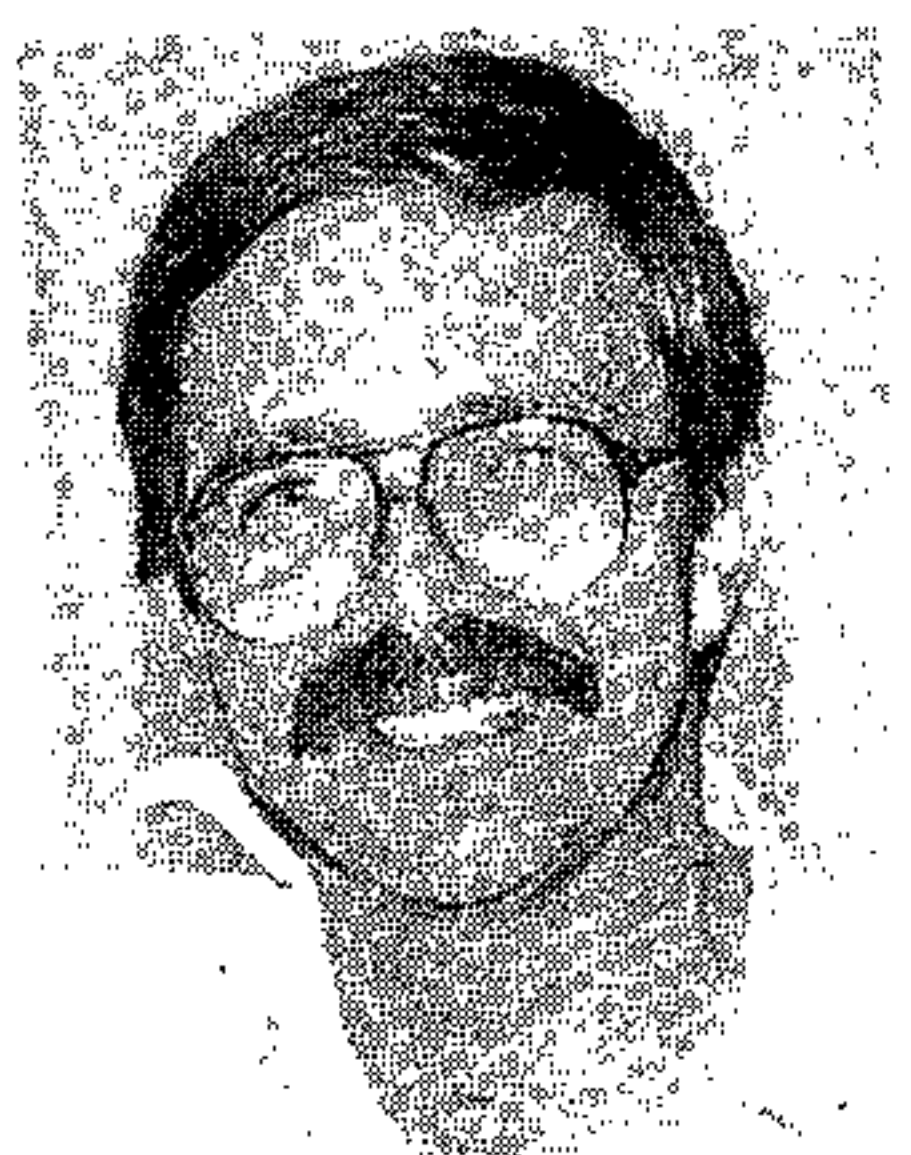
has recently expanded into the Transvaal and will move increasingly into the black market.

Originality in operating methods characterises both. CB is famous for the participative management methods infused by Albert Koopman. Historically, PP grew by a system of partnerships.

CB's share dropped from over 400c (on a p/e of around 40) before Koopman left in early 1987 to below 150c in early 1988. It has recovered post-Crash somewhat to around 205c. PP, like CB, was started about 10 years ago. Its share, at 160c, is around its pre-Crash high.

CB's recent performance shows that co-founder and present MD Gerald Haumant lives in no man's shadow. He has remarkable discipline and clarity and the human relations system started by Koopman is still in place, though modified.

Last year, CB acquired building supplies retailer Buy & Build (B&B) from Tradegro. The shares in consideration raised Tradegro's effective stake (including Frasers' holding) to 77%. The acquisition marked CB's launch into retailing, though it has

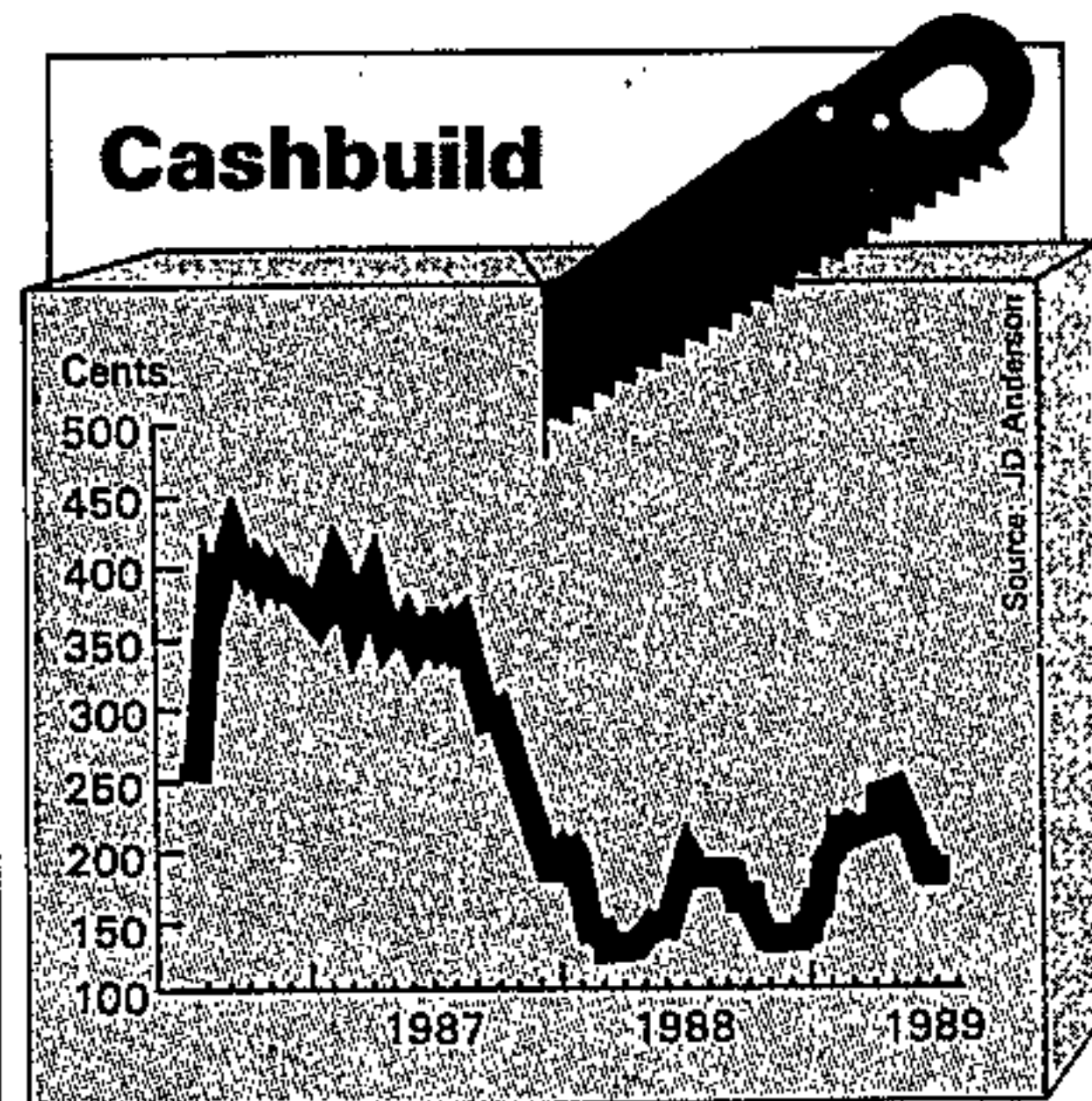


CB's Haumant

rationalised the number of B&B outlets from 24 to six (12 were converted into Cashbuild outlets). Typical of Haumant, the waters of retail will be exhaustively tested before venturing in further. The move will be according to a standard formula incorporating tight control.

Two thirds of CB's profits come from wholesaling and CB says it is the only major player in its market. Haumant says cash and carry comprises only 10%-15% of the wholesale building materials market. CB also restricts itself largely to the heavy, dirty building materials. It is SA's largest distributor of cement and corrugated iron and it provides no transport because this is an uncontrollable cost.

Rural areas were targeted because in the cities retailers and builders, mainly white, got most of their materials from the producers. Increasing black urbanisation and development of black entrepreneurs prompted the opening of four CB outlets in urban areas (two on the Witwatersrand). Haumant believes urban outlets now have more potential



— though establishing and running them costs much more. CB has projected growing from its current total of 57 outlets (51 CB and six B&B) to 100 in 1993.

Another fundamental step is CB's probable launch into franchising in a new chain handling basic building materials and hardware. It hopes to launch the first franchisee in early 1990.

CB began as a subsidiary of Metro. PP started as an independent and has stayed that way — Malherbe owns 45% of PP; PP owns 84% of Pennypinchers Boards. In 1979, Malherbe bought a job-lot of redundant used building materials and started a materials yard. Later, he took on 50-50 partners, who financed openings of their own branches, while he contributed supplies. In 1983, the group switched to selling only new building materials. Malherbe says PP was the first new-generation discount building materials retailer in the Cape, a mar-



PP's Malherbe ... from one job-lot

ket now highly competitive and sophisticated. In contrast, the Transvaal market is wide open, he says.

Malherbe's major strength is apparently in human relations and the policy is to employ people with the calibre to advance to management. All the black managers in branches on the Cape flats were originally labourers, he says, and his former housemaid is the bookkeeper at the Retreat branch. In PP's listing, many former partners received shares for their stakes; some subsequently strengthened the Cape head office team.

Both PP and CB apply decentralised profit-centring at outlets. But PP divides its outlets into various shops (primarily building materials and board, but also tiles, Jetmasters, sanitaryware and more), each a profit centre. CB outlets are one unit. Accordingly, comparison of outlet numbers is not valid.

PP has 84 outlets. It entered the Transvaal market through the acquisition of Craig Hardware last November. Since then, it has acquired more businesses and currently has 23 Transvaal outlets. CB, in line with its designer approach to the structure of outlets, plans no acquisitions, but all-organic growth.

By circumstance, all of PP's Transvaal acquisitions have been in white and central areas, but Malherbe is determined to direct future expansion into black areas. Black buying accounts for about half of Cape turnover, he says. This year, he projects PP's turnover will rise 73%, to R190m — R45m of it from the Transvaal. Despite the fast expansion, he predicts a further rise in margins. By 1992, Transvaal turnover is projected to exceed that of the rest of the group.

Malherbe says the limitation on growth of outlet numbers is not capital but skills. He will not make a new start until suitable staff is available. He says development in the Cape was cautious. Branches started off selling almost exclusively for cash — credit sales were increased once branches were profitable. In the Transvaal, policy was that initial sales were almost all for cash and Malherbe believes Transvaal sales will remain predominantly cash.

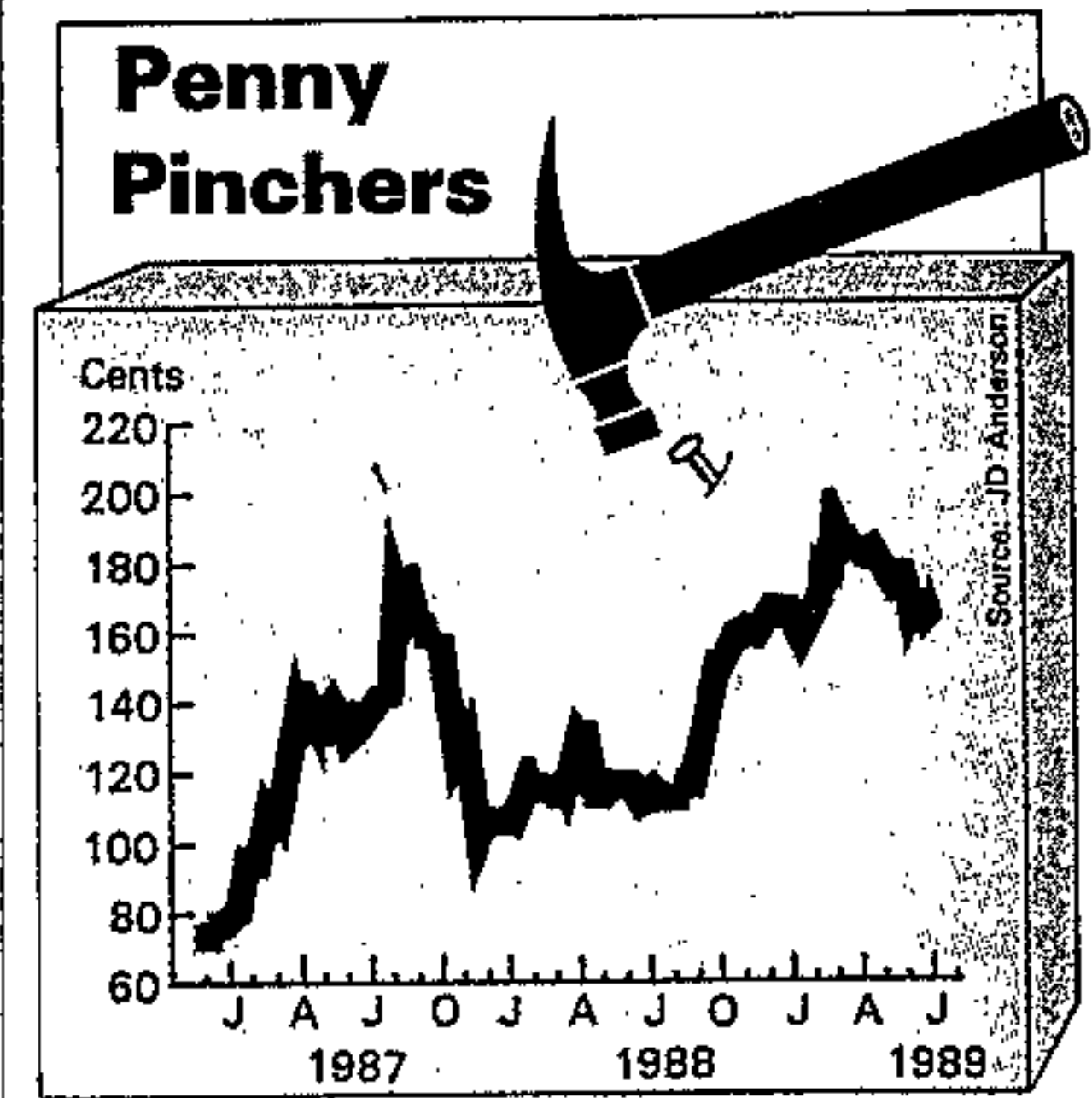
PP also supplies large contracts, some in Namibia and Botswana. Malherbe says there has been a "breakthrough" into Mozambique, where PP is supplying materials for a major housing development near

Maputo. It has also entered Malawi and the Ivory Coast with an SA contractor, Topkor.

Advanced group computerisation from Cape Town updates figures daily to keep managers and the group on track. Malherbe says only four people in the group sign cheques. Branch turnovers have declined slightly recently, ahead of an economic downturn. CB also reports a marginal turnover decline, but believes it will benefit from recession because it encourages cash buying.

PP's higher gearing is at least partly a reflection of the threshold on penetration into the Transvaal. PP is negotiating a lease-back deal on properties acquired with the Transvaal businesses. Malherbe says this will result in a R3,5m profit on their acquisition costs and a R5,5m inflow. That inflow would reduce year-end gearing to 0,37.

PP is projecting diversifying into larger warehousing outlets. A pivotal philosophy is internal self-sufficiency. PP has diversified into construction, but only for its own outlets, Malherbe says, though it has built a



small shopping complex at Parow. Now it is entering manufacture of building materials and accessories by buying partnerships in existing manufacturing firms and PP provides the market for their products. Other diversifications are possible.

In November, PG Bison took a 25,1% stake in PP. Malherbe says PG Bison has no hand in running the business and it is not the wolf at the door. The leasebacks will provide funds until about 1992, when he envisages the need for another cash injection.

Both PP and CB foresee high EPS growth ahead and Malherbe believes it will be 42% this year, while Haumant has projected 40%. The shares are remarkably close in investor ratings. PP is on a 9,9 p:e and earnings and dividend yields of 10,1% and 4,4%; the equivalents for CB are 10,1, 9,2% and 3,7%.

PP has a stunning record of expansion, having become by far the largest in its field. Investors may wish to wait for evidence that PP is reducing its gearing and repeating its success in the Transvaal and with other diversifications. They may be richly rewarded. CB, which is cash-flush and has Tradegro's backing, is more structured and seems an excellent investment.

Teigue Payne

CT houses costlier than elsewhere

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□ From Page 13
ing activity.

● The decline in the gold price since the early 1980s similarly disadvantaged the Witwatersrand economy, more so than it did the Western Cape's."

Harry McCracken of Pam Golding Properties says it is not strictly correct to say Cape Town houses are on the whole more expensive than those in other major centres. But, he adds, buyers from up-country are frequently shocked at prices they would have to pay in areas in the Peninsula they consider to be the equivalent of those they have been living in.

"A person living in a top-of-the-market area such as Johannesburg's Hyde Park, Houghton, Sandhurst or Illovo should not have much difficulty in finding a comparable property in select areas at the Cape such as Bishopscourt or upper Constantia, although residential property in the prestige areas of Johannesburg and Durban tends to be a bit bigger than in Cape Town.

Tennis court

"The shocks I refer to come more to those in the mid-upper market. Someone living for instance in Johannesburg's Bryans-ton area, in a house with tennis court and pool and with a market value of R300 000 to R400 000 would probably fail to find a property of equivalent

size and amenities in the environmentally comparable mid-Constantia in that price-range.

"If he were insistent on acquiring a comparable property here, such a person might find himself having to buy into upper Constantia, for around R600 000.

"Similarly, if a person owning a spacious home in the R120 000 to R150 000 range in say the Blairgowrie or Randpark Ridge areas would find on moving down here and wanting a home of equivalent value that he'd have to look at town-houses or older houses in areas such as Harfield Village, Tokai or Muizenberg."

McCracken says the price-differential is even greater where Durban property is concerned.

"People owning homes in the Berea, Kloof and Hilton areas with a market value of around R250 000 are shocked to find what that sort of money would buy them in up-market Cape Town.

"They could of course find properties of comparable size at that price down here — but then they would have to look farther afield, to areas such as Bellville, Durbanville or Somerset West.

"But if one insists on staying in the southern suburbs then one has to pay for it."

Lawrence Seeff, MD of the Seeff Property Organisation, says the relative shortage of housing in the greater Cape Town area, caused largely by a topography that limits the amount of land available for expansion, has caused a price differential with Johannesburg varying between 10% and 20% or more, depending on the area.

Area-related

The most significant price differences, he says, are in the more exclusive areas such as Bishopscourt, upper Claremont and upper Wynberg, Constantia, Llandudno, Bantary Bay, Clifton and Higgovale, in which property prices have, house-size for house-size, been a good deal higher than in comparable residential areas in Johannesburg, Pretoria and Durban.

Seeff says the price differences are largely site and area-related, and that taken by itself the cost of building a new house would, at present, be about the same in Cape Town as it is in Johannesburg.

● However a master builder who has constructed a large number of houses in both Johannesburg and Cape Town said this week that he found the cost of building in Cape Town to be roughly 10% to 15% higher than on the Reef.

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Cape leads nation in home price rise

CMT Times 5/8/89 123

Homeowners in Johannesburg and elsewhere have been shocked to find what they would have to pay for a comparable home to theirs in Cape Town. ROGER WILLIAMS reports that house-price growth in the Peninsula is now shown to have outpaced that of other centres in the 1980s.

CAPE TOWN house-prices have outpaced those of other major centres in South Africa in the 1980s, with a growth rate of 15,6% against Johannesburg's 14,9% and Pretoria's 11,6%

This is shown in a survey done by an independent property economics firm based at Bellville, Real Estate Surveys, which is now studying trends in Durban.

In other words, if one bought a house in each of the three major centres surveyed for

R30 000 at the beginning of 1979, these same houses would by the end of 1988 have been worth:

- R123 131 in Cape Town.
- R116 585 in Johannesburg.
- R87 538 in Pretoria.

Leading estate agents, one of them operating countrywide with head office in Cape Town, confirm that, size-for-size in the up-market areas particularly, Cape residential property tends to be more expensive than elsewhere.

And, they say, demand for houses in Cape Town remains strong in spite of increased bond rates and other inhibitors to buying. They also say there is more stability in the house market here than is the case in Johannesburg, with its sometimes dramatic and erratic price-fluctuations.

Erwin Rode, proprietor of Real Estate Surveys, says: "One can only speculate on the likely reasons for Cape Town house prices outperforming Johannesburg prices since 1983, and why Pretoria house prices underperformed in relation to all the others throughout the 1980s.

"Initially I toyed with the idea that the hemming in of Cape Town's suburbs by the mountain and the sea might have led to a shortage of stock, because of a lack of land for township development.

"However, a recent analysis by Real Estate Surveys has shown that Bellville's house prices have performed on a par with Cape Town's. And the Tygerberg area has, at least for the time being, more than enough land available for township development.

"Hence we have to look for regional economic reasons for this phenomenon. I propose the following:

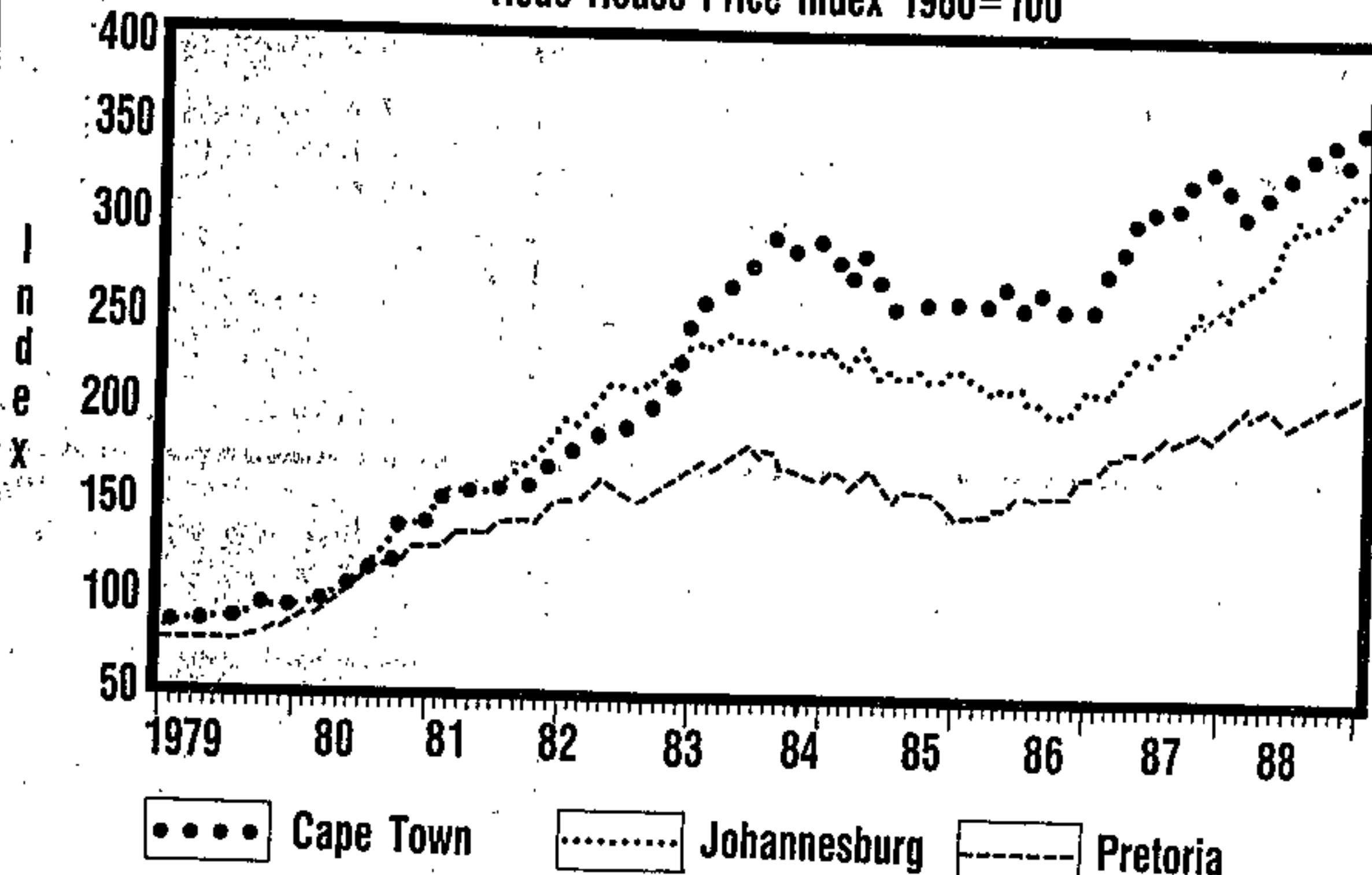
● The 1980s saw — in line with world trends — a strong growth in the ter-

tiary, or services, sector of the South African economy. This means that white-collar occupations grew faster than blue-collar jobs. In fact the manufacturing sector of the economy stalled during this decade, showing no growth.

This trend would have given the Western Cape a comparative advantage over the Witwatersrand, whose economy has a higher proportion of manufacturing.

□ To Page 14

HOUSE PRICE TRENDS IN CAPE TOWN, JOHANNESBURG AND PRETORIA
Rode House Price Index 1980=100



Govt puts end to financial property concession

By Derek Tommey

The Government has stopped foreigners from buying farms and residential properties with financial rands.

The ruling was not completely unexpected. The Conservative Party in the Western Cape has been criticising the Government for allegedly allowing foreigners with cheap financial rands to outbid South Africans and snap up Boland wine farms and luxury apartments and houses on Cape Town's Atlantic coast.

In his announcement last night Finance Minister Barend du Plessis said that since August 1986 non-residents had been able to use financial rands to buy farms and residential properties, paying half the price in commercial rands and the balance in financial rands.

This had been stopped with

immediate effect. Foreigners wishing to buy such properties would have to finance them through the normal banking channels at the commercial rand exchange rate.

However, applications received by the Exchange Control Department of the Reserve Bank up to yesterday would be still considered on the old basis.

Creating dissatisfaction

He said the situation existing until yesterday had created dissatisfaction in some quarters because of its effect on certain property prices, while the amount of new capital brought in had been insignificant.

Ronald Ennik of Pam Golding Properties, Johannesburg, the leader in the sale of residential property to foreigners, was not unduly worried about the move.

He said it was unlikely to have any effect on Johannesburg property prices. Although foreigners had used financial rands to buy houses on the Reef, the majority of buyers were South African.

He thought it could lead to the prices of Cape farms and Bantley Bay apartments stabilising, but he did not expect much downturn in prices.

The major reason for foreign purchases was that South African property was cheap by overseas standards.

"In South Africa your car costs a quarter of the price of your house. This does not happen anywhere else in the world."

He hoped the move would not discourage foreigners from buying property as South Africa needed them to speak up for it abroad.

Mr Ennik said foreigners could not remove it from South Africa, so that the property purchases resulted in an one-way flow of cash to South Africa.

The move means that foreigners will have to pay some 20 percent more for property.

When the financial rand discount is 35 percent (as it is at present), foreigners could buy a R1 million property for R825 000. Now they will have to pay the full amount for the property.

It has been estimated that foreigners have spent R1,3 billion in financial rands on property since 1985, with R52 million going into agricultural land, R916 million into commercial property and R30 million into residential property.

However, the residential property figure is regarded by some as a gross underestimate.

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Finrand and deal off

Govt. stops S foreigners' property spree

Apr. 7/85 11/11/89 (123)

By AUDREY D'ANGELO

THE government yesterday scrapped financial rand deals by overseas buyers of South African farms and residential property.

The Minister of Finance, Mr Barend du Plessis, made the announcement yesterday and a spokesman for his department said the action was taken after pressure from people, mainly in the Western Cape, who complained that foreigners were buying up historic farms and pushing up property prices in areas like Clifton.

The system has been strongly criticised for giving foreign buyers an edge over South African buyers.

Prime residential properties on the Atlantic seaboard and some of the country's most prestigious wine farms have been the targets of foreign investors since the scheme was introduced in 1986.

Last night Mr Du Plessis said overseas buyers would no longer be able to pay half the cost of purchases at the finrand rate of exchange.

Under pressure

"The demand from abroad for these properties may therefore be discouraged to some extent."

The minister has been under pressure for months to withdraw the concession, which gave foreign buyers an effective discount of between 15 and 20%, depending on the going rate of the finrand.

Mr Du Plessis told Parliament in April that since 1985 a total of R1,275 billion had been invested in property in South Africa through financial rands.

However, of this, R52 million had been invested in agricultural property and R306,6 million in residential property. About R917 million was spent on commercial property.

But estate agents specialising in such sales — some of whom have opened offices in London and sent teams with multi-million property portfolios to Britain, Europe and the US — were not disheartened last night. They said the rand is so weak against the British pound and other currencies that local properties will still be cheap to overseas buyers.

The executive director of the SA Property Owners' Association (Sapoa), Mr Peter Erasmus, said the change would hardly affect the property market.

Psychological effect

"As long as the rand remains a cheap currency, South African properties will continue to remain cheap for foreign buyers. Investors are more concerned with finding good investments than going bargain-hunting round the world."

Mr Lawrence Seeff, managing director of the Seeff Property Organisation, said the loss of the finrand concession meant that residential property would cost overseas buyers about 20% more and this might have a psychological effect on them. "But with £100 000 they will still be able to buy a property costing nearly R500 000."

Mr Carl Scheppening, managing director of the Board of Executors Properties, said that finrand transactions were only a small percentage of total property sales and the withdrawal of this concession "will hardly dent the property market".

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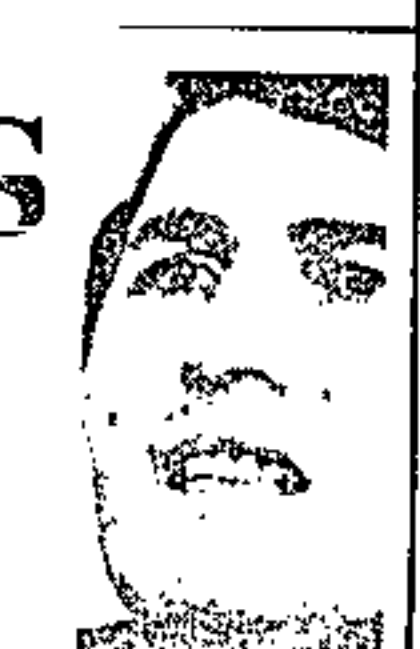
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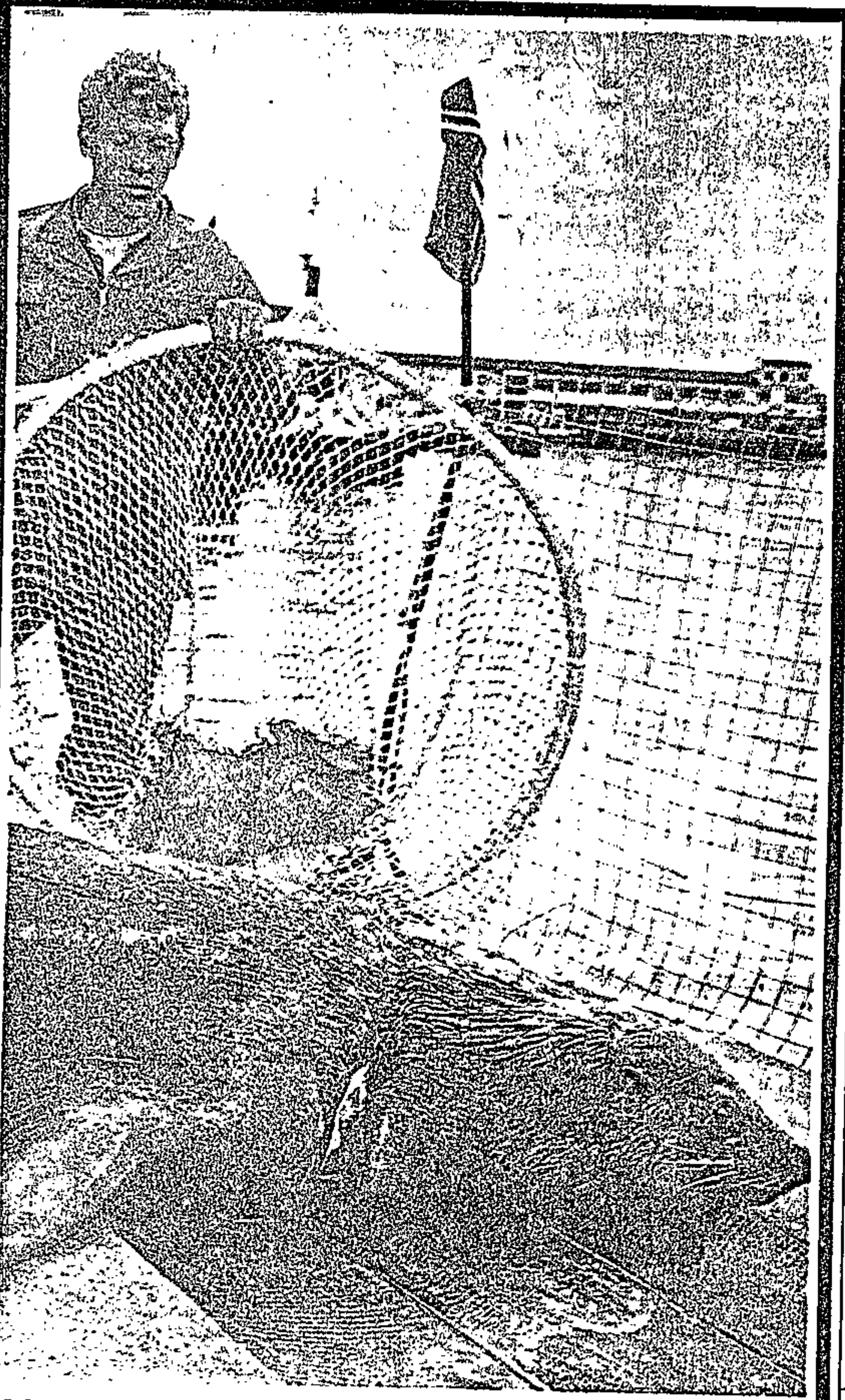
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DOOMED Mr Adrian Mares, of the Sea Fisheries Research Institute, with the

Most home-owners ignore new bond scheme

By HILARY JOFFE

FEW home-owners have so far taken advantage of the new scheme designed to help bond-holders struggling with high interest rates, building society sources say.

The scheme, which is to run until April 1992, allows borrowers to make monthly payments based on a 17 percent bond rate rather than the 19.75 or 20 percent currently charged by most institutions. But they will continue paying at 17 percent when bond rates drop below this level, until they have made up the amount they defer now.

The scheme was first announced at the time of the May interest rate increase, but details were finalised only last week, when an agreement was signed between the financial institutions and the Department of Public Works and Land Affairs. The department is guaranteeing the financial institutions against any losses they may suffer as a result of the scheme. The scheme is intended to help needy borrowers who find they can-

not maintain their monthly payments at current rates and are in danger of losing their houses.

But building society people this week stressed that payments would be deferred rather than subsidised.

"People are not getting anything for nothing and they must understand they will be paying in the end," said Oliver.

The scheme is open to any borrower but the limits are:

● The bond-holder must be occupying the property (rather than renting to tenants, for example);

● The loan must have been obtained prior to May 1 this year;

● The property's current value must not exceed R120 000;

● The balance on the bond must not exceed R90 000.

The bank or building society involved uses its discretion to decide whether a bond-holder may take advantage of the scheme.

Natal Building Society assistant general manager (loans) Trevor Oliver says it is unlikely borrowers will try to manipulate the scheme because they realise they will have pay in the end. NBS has been approaching bond-holders who are already in arrears with their payments and asking them whether they would like to apply for the new scheme, but otherwise has so far not had many applicants, he said.

The Perm's Peter van Broembesen said this week there had not been great demand for the scheme because people recognised it was a deferral and not a subsidy.

"Bondholders would rather try to meet the current rate," he said.

The difference between the 17 percent and the current 20 percent rate will be added to the capital amount of the bond on a monthly basis.

As a result, bond-holders who defer their payments under the scheme will in fact end up paying more than they would have otherwise, says the

latest issue of *Multiple Listing Service News*, newsletter of the estate agents network, MLS.

"The lending institution will actually earn more than 20 percent since the interest on the new capital sum will be higher in rand terms than it would have been had the capital sum been maintained at its original value," the newsletter points out.

It's not clear to what extent the bond deferral scheme will benefit black home-owners, the majority of whom are subsidised.

According to Van Broembesen, the scheme applies to subsidised bond-holders only if it does not affect the subsidy arrangement.

"Our experience is the vast majority of the accounts we are handling for black clients are subsidised in some way, whether by the government or by private companies."

He pointed out many subsidised homeowners were in effect making bond repayments at less than the current rate.

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Ward

11-17/8/89

Weigh up the pros and cons carefully before making a decision

Is it better to buy or to renovate?

123

WITH high interest rates and the ever-increasing cost of labour and building materials, whether to renovate your existing property or to sell what you have and buy a new home, with everything or most of what you want, is a difficult decision to make.

First, a number of questions have to be asked to clarify your situation:

1. Can your house be renovated — does it lend itself to alteration?
2. After renovation, will your house give you what you want at a price equal to or better than that you would have to pay for a new one?
3. Taking your area into consideration — will the renovation be financially worth your while? This is, if you sell, will you make a profit on the renovation, taking into account the present value of your property without renovation? Or will you lose money, having over-capitalised your house in relation to value in the area?
4. Are you prepared to put up with all the inconvenience and trauma that a renovation usually entails?
5. If you don't renovate, can you find a house that offers what you want, in the area you want, for the amount of money you plan to invest in your new home?

You also need to take the timespan into account. If you intend selling in the short term, unless you're a professional renovator, in no circumstances do major renovations in the mistaken belief that you'll make a profit.

If you intend to sell within a year or so, restrict your programme to cosmetic improvements, such as painting, wallpapering and carpeting. These are relatively inexpensive, you can probably do some of the work yourself and they will give your house a fresh, clean appeal which, proportionate to the cost, can add to its resale value.

Consider more extensive renovations only if you intend to stay for a year or longer and in the knowledge that, if you don't sell, you'll enjoy the benefit. Renovating a kitchen, adding a bathroom or putting in a swimming pool are the sort of improvements you're unlikely to recover fully if you sell in the short term, but will add to your comfort and put another way — if the renovation costs R50 000, your house stands you at R170 000 (present market value plus cost of renovation) and not R110 000 (original purchase price).

ESKEL JAWITZ

Putting it yet another way — if after renovation you sell for R140 000, you haven't made R30 000 profit (original purchase price plus cost of renovation), you've lost R30 000 (present market value prior to renovation plus cost of renovation).

Now, with your estate agent's help, try to determine what your house would sell for, were the renovations to be done. Remember that a renovation should achieve two things: improve your accommodation — and the quality of your lifestyle; and improve the resale value of your property.

Taking the earlier figures as the example — your renovated house should at least make you profit on the renovation itself:

Present market value prior to renovation.....R120 000
Plus cost of renovation.....R50 000
TOTAL R170 000

The market value after renovation should be at least R190 000 to R200 000. If not, think carefully because there is a possibility of over-capitalising for the area and, in the future, it could be difficult to sell your house at the kind of price you would want.

6. Having determined what can or can't be done and at what cost — and having worked

out the above answers — visit showhouses in areas that interest you. See what's on the market and get a feel of what's going on. What will you have to pay for a new house, can you find what you're looking for at an affordable price, will it stand you in at more or less the price you could realise for your existing home after renovation?

There are no hard and fast answers or easy solutions. In making your decision, take into account that every renovation costs more and takes longer to complete than originally anticipated; and in moving from one house to another additional costs are incurred.

After all is said and done, if renovation gives you what you want at a price with which you're happy, you might be wise to stay put. But, if after renovating you still haven't got what you want in an area of your choice, even if you have to stretch your resources to buy that "dream" house — go for it.

In the available space, I have been able only to highlight the questions that have to be answered, what you have to look for and some of the problems that can occur in weighing up whether to renovate or move. By taking these into account, I'm sure you'll make the choice that's right for you.

Property cheap despite new curb

Business Times Reporter

FOREIGNERS will continue to buy houses or farms in South Africa despite the Government's decision to scrap the financial rand concession — because the commercial rand is so low.

Cape Town estate agent Cecil Golding made a snap survey of four foreign buyers planning to spend R4.2-million after Finance Minister Barend du Plessis announced that they could not pay half of the price of houses or farms in finrands.

"They all said, 'Go ahead, even if they could not pay half of the cost in finrands,'" says Mr Golding.

Biggest

Only 2.7% of Pam Golding Estates transactions in the past three years involved the finrand — "and we are the biggest in this field".

The finrand's 35% discount means that a R1-million property would cost a foreign buyer R825 000.

SA Property Owners Association executive director Peter Erasmus says: "Foreign buyers will find bargains as long as the commercial rand remains cheap in terms of foreign currencies."

About R1.3-billion has come into SA through the finrand since the scheme was introduced three years ago.

Move to improve housing subsidy

The acute shortage of housing in the townships could improve if the South African Government reviewed its housing subsidy scheme offered to black families, the chief executive officer of the FHA Homes, Mr Brian E Longley, said this week.

The subsidy is offered to first time home buyers whose houses are valued between R40 000 and R65 000. The Government pays the subsidy, an average of R147 a month, for seven years only.

Longley said his organisation, formerly known as the Family Housing Association, a subsidiary company of the Urban Foundation, had set up a commission of inquiry to investigate ways of improving the subsidy scheme.

He said the findings of the commission would be sent to the Government for its recommendations. The FHA hopes to complete the investigations within the next 12 months.

"In the past two years housing sales had dropped because of the ever escalating prices of new houses and the mortgage bonds. If the country's economic situation does not improve in the near future, the purchasing of houses would drop further," said Longley.

He said the FHA was in favour of the families being granted a capital subsidy which could be used to help them pur-

chase their stands. "By doing so, the Government would be helping thousands of homeseekers to buy houses," said Longley. 16/8/89

He said since the subsidy was paid out according to the purchase price of a house, white families always got better subsidies, because they bought houses costing more than R60 000.

Longley said the majority of homeless families were in the low-income group. "These are the people who are most stranded and need help. At least those in the upper and middle-income groups can manage to buy houses in the lower-income group if the going gets tough up there," said Longley.

Problem

"But what about those families in the lower-income class. Where do they run to?" he asked.

He said the squatting problem in the country will not be eradicated in the many years to come but could be reduced if the FHA recommendations were accepted by the Government.

The FHA was established six years ago to provide housing for the low and middle-income groups in the Transvaal's black townships.

"We buy land from farmers, service it by providing infrastructure, including water, sewerage and electricity facilities.



Brian E Longley, chief FHA executive officer of Homes.

We later sell the stands to other private building construction companies who will put up houses," said Longley.

FHA also builds houses for the lower-income group.

Since its formation, FHA has built 8 000 houses and serviced 28 000 stands in most of the black townships in the Transvaal. Longley said most of their building projects were mainly in the Pretoria-Witwatersrand-Vaal Triangle area.

He said their stands were priced at R6 000 and R12 000 and their houses were valued at between R15 000 and R34 000.

Longley was appointed to his new position last August. He took over from Mr Matthew Nel, who has been promoted as the managing director of the Urban Foundation's construction division.

Need for informal dwellings

Star 17/8/89
Higher residential densities will have to be more readily accepted as well as informal dwellings in townships as part of the transitional phase in the urbanisation process.

This was said at the Sapoa convention by Mr E G de Beer, director general of the Department of Development Planning.

"Land for township development in our country is in short supply and higher residential density in the form of multi-storey family units — already in limited use — will have to gain still greater acceptance," he told delegates.

Mr De Beer emphasised that the Government's policy of orderly urbanisation did not relate just to existing metropolitan areas but at rural towns and cities which have the potential to develop into alternative mini-metropolises.

About 70 percent of the black population of southern Africa will have to be housed in informal shelters, he said.

"In this regard the Government has taken the initiative and since 1986, it has identified about 66 000 ha of additional land for black urbanisation.

70% of blacks need *copy to M15 17/8/87* 'informal shelters' 123

JOHANNESBURG. — Some 70% of the black population in Southern Africa cannot afford formal housing and will have to be housed in informal shelters, says the director-general, development and planning, Mr E G de Beer.

Mr De Beer, who was addressing the SA Property Owners' Association (Sapoa) convention yesterday, said this fact stressed the importance for orderly urbanisation.

Since 1986 the government had identified some 66 000 hectares of additional land for black urbanisation.

"The fact that most of this land is situated in the metropolitan areas and that some 70% of it will be used for informal housing provides some indication of the trend in development in this respect."

The government and the other participants in the process of development had to play their proper roles in ensuring the orderly development of these burgeoning new cities, he said.

Informal dwellings in conventional and informal towns would have to be accepted as forming part of the housing stock. — Sapa

Bond business undergoes a revolution

Star 19/1/84
IN recent years the home mortgage finance business has undergone a radical restructuring. Today prospective home-owners are faced with a bewildering array of options.

This, together with high rates of inflation, has also led to a fundamental change in the approach of most home owners. In years gone by, most people would have expressed the desire to pay off their bond as soon as possible. Today people realise that it makes sense to utilise their capital elsewhere.

Financial institutions have also recognised this trend and are increasingly offering home finance schemes which would have been considered revolutionary only a decade ago. Such is the speed at which the financial world is changing.

Long gone are the days when building societies and banks offered one type of home mortgage bond.

Today prospective clients can shop around for the best interest rate or have it pegged at a certain level for a set period to safeguard themselves against volatile interest rates.

Recently UAL, part of the Nedperm Group, offered an innovative option to homeowners. Instead of paying off the outstanding capital amount of the bond, the owner buys unit trusts which, if the historical performance of unit trusts is anything to go by, will ensure sufficient capital growth to not only repay the outstanding bond in 20 years' time, but also leave the bondholder with a substantial tax-free lump sum. This scheme, I have been told, is finding widespread acceptance among homeowners.

This week two major players in the field of home financing, the United and Standard Bank, announced similar home mortgage schemes.

Standard Bank now offers customers the option of paying off only the interest on their Access bonds and using the capital repayments portion to fund an endowment policy.

This product, called the Lifestyle Endowment Option, is offered in conjunction with Liberty Life and also guarantees repayment of the bond on the expiry of the home loan term or on the death of the borrower. This life insurance cover, I am told, is at highly preferential rates.

According to a Standard Bank spokesman, monthly repayments will be roughly the same as on a conventional bond with mortgage protection cover. Loans already with the Standard Bank can be converted to the Lifestyle option.

Coincidentally the United announced a similar package on the same day. While it was not possible to obtain further details from the United, the scheme is bound to operate on the same principles.

With three major institutions already offering these variations on home financing, it is bound to become the norm rather than the exception. In the United Kingdom more than two-thirds of home mortgages are granted on a similar basis.

Standard's product differs in two important aspects from the scheme offered by UAL. Standard offers the guarantee that the endowment policy will repay the outstanding capital sum when the bond expires. It also provides automatic life cover, which UAL does not. However, life cover can be added to UAL's scheme.

Money Matters

MAGNUS HEYSTEK



123

With UAL investing in unit trusts on a monthly basis rather than in an endowment policy, it is quite possible that the eventual lump-sum available to the mortgagee will be greater when the bond term expires. This statement is based on the superior performance of unit trusts when compared with endowment policies over the last 20 years or so. However, there is no guarantee that this will remain so.

These schemes will greatly increase the attraction of residential property as an investment for the average person. Not only will he be acquiring a hedge against inflation, but he will gain a substantial tax-free capital amount which can also be used to supplement a private pension fund.

Bond business undergoes a revolution

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HOUSING has become an issue in negotiations between employers and trade unions.

The acute shortage, particularly among blacks, has been well publicised since the withdrawal of the State from the provision of housing.

Studies by the SA Institute of Race Relations and the Development Studies Unit at Natal University disclose that the inability of low-income blacks to afford housing and the lack of land are major obstacles to easing the backlog.

Association of Building Societies of SA president Bob Tucker has said repeatedly that housing represents not only the biggest challenge and potential tragedy facing SA, but the greatest opportunity for economic transformation.

Trade unions have now be-

Housing a bargaining point

come embroiled in the issue.

Although many employers balk at becoming involved in the financing and delivery of housing, consultant Paul Hendler believes its provision holds possibilities for stabilising workforces and increasing productivity.

Mr Hendler and Tim Hart of the National Institute of Personnel Research (NIPR) write in the Institute of Personnel Management (IPM) journal that housing is set increasingly to become a permanent feature of industrial collective bargaining.

They say it is important to understand that these negotiations are based on strategic assessments of the parties' own interests.

"Recently, there has been growing pressure from union membership for unions to address housing. This pressure has its roots in the extreme shortage of housing and the high cost of shelter and services.

"Increasingly, employers are seeking to divest themselves of direct involvement in housing (such as hostels and company housing) and promote home ownership.

"This reflects a desire to entrench a stable urban workforce, and perhaps particularly to retain scarce skilled and semi-skilled labour."

Collective bargaining about housing is still in its infancy, and there are likely

to be numerous obstacles to overcome.

Mr Hart and Mr Hendler say a difficulty is that housing does not end with mobilisation of finance.

There are several preconditions for adequate housing, and the relationship between

unions and benefit funds could involve tricky negotiations.

"The biggest challenge to the emerging process of collective bargaining over housing is likely to be that of making home ownership available to the lowest-paid

workers.

"However, at this early stage, the potential appears to exist for a constructive breakthrough which could significantly improve both the housing backlog and the quality of life of large numbers of workers."

Maritzburg on 1. 1989
Internal Security Act.

CPM 7-75 22/8/89 (140A) 23
12 of Cosatu in court

DURBAN. — A group of 12 Cosatu members, some of them school pupils, have appeared before a magistrate in connection with charges of attending an illegal gathering and contravening the Internal Security Act. They were not asked to plead. The case was adjourned to September 4.

House prices up 12-14%

PRICES of larger (existing) houses have risen by about 14% in the past year; while those of medium-size homes have escalated at the slightly lower rate of 12%, according to the latest quarterly housing report prepared by United Building Society economist Hans Falkena.

Based on the entire portfolio of United loans, figures show that larger houses sold at R137 000 on average, with smaller ones trading at around R79 000, according to the report.

The prices of existing homes command prices only marginally lower than newer, equivalent, homes, although the differential is fast narrowing, according to the report.

The biggest increases in house prices occurred in the Durban-Pinetown and Vaal Triangle areas, both of which rose 9% quarter-on-quarter. Prices on the East Rand, however,

rose by only 3%, while those on the West Rand edged up a mere 2% in that same period.

The UBS review says that while the mortgage rate rose by 25% on a year-on-year basis, in real terms that represented only a 7% rise after adjusting for inflation.

Given the rise in salaries in recent times, in effect this means that houses, over the past 3½ years, have been more affordable than at any time during the past decade.

Because of this increase in the affordability factor, Falkena does not see house prices falling significantly in real terms.

House prices, he says, are likely to rise slightly below the ruling inflation rate and an average increase of 12% is expected this year.

TERRY MEYER

123 Fmail
25/8/89

ENDOWMENT MORTGAGES

Linked loans

After the recent launch by Nedbank and UAL of Nedgrowth Home Loan — a combined mortgage bond and unit trust — it was only a matter of time before a similar combination, featuring endowment policies, was put on the market. While unit trusts will provide more rapid capital accumulation during bull markets in shares, endowments have the merit of providing guaranteed capital value, so avoid the risk of outright loss.

Endowment mortgage combinations are now being offered by Standard Bank and United Building Society. Standard's product is called AccessBond Lifestyle Endowment Option; United's United InvestorBond.

Essentially, an endowment mortgage involves coupling a level term mortgage bond and an endowment policy taken out by the borrower. Part of each instalment goes to servicing the policy. By the expiry of the term, the value of the policy should comfortably exceed the debt.

In terms of the Sixth Schedule of the Income Tax Act, a life assurance product cannot be cashed within 10 years without forfeiting tax-free status of the proceeds. There are also certain "structural" requirements, notably a minimum proportion of life cover.

As no lump sum is paid in on a back-to-back basis, endowment mortgages need full backing by life cover to protect the lender's interest until investment values build up in the endowment. This has implications for prospective borrowers.

As United's upper age-ceiling at termination of a bond is 70, the Sixth Schedule requirements imply maximum age for eligibility of 60. But various considerations would reduce this in practice to 55, says United GM Mike de Blanche. The Standard has an

upper age limit of 60.

Insurability is also evidently a requirement. Both United and Standard require applicants to fill in a questionnaire and will insist on a medical where necessary.

Though endowment policies exclude the risk of outright loss, there remains another real risk: the possibility that capital growth over time might not equal or — preferably — exceed the inflation rate. On the whole, life portfolios have comfortably outperformed inflation. Standard divisional GM home loans Terry Power says returns over the past 12 years have averaged around 20% annually.

InvestorBond has no minimum period, but a 30-year maximum, in line with legislation governing the life of a bond. If the borrower buys another property, the endowment could be tied to the new bond, with an adjustment in premium if required.

De Blanche illustrates relative costs on the basis of a 20-year R75 000 bond, at an interest rate of 19,75%. The cost of a conventional bond would be R1 259,25 a month, while an Investorbond would cost R1 318,88, about R84 more.

Of this amount, R1 234,38 would reflect interest and the balance the premium on the endowment.

Standard's Option requires 15% annual escalation in premiums "to preserve capital value in real terms."

Power says that for the first eight years, there is little difference in monthly instalments between Option and a conventional bond with mortgage protection cover. The premium on InvestorBond would escalate too, at 12% annually.

Both Standard and United will allow holders of existing loans to convert, while an Option may be transferred to any future bond, or used as collateral security. Power says value should build up rapidly enough to permit early repayment of a bond.

The *FM* considers this type of scheme absolutely sound in principle. But the same caution should be observed as with a conventional mortgage.

The traditional ceiling on repayments of 25% of the borrower's income should not be disregarded lightly.

Double-digit inflation implies alarming volatility in interest rates, as has recently been shown.

Too many borrowers who plunged in happily at 12% are now caught short — and this could happen again. ■

BUSINESS

The Nats hover between the inevitable and the desirable

WHEN government officials talk these days about urbanisation, it's clear that they have absorbed at least some of the Urban Foundation's ideas about managing the cities and addressing the housing crisis.

But, while the government seems to have accepted that black urbanisation is inevitable, it still doesn't see it as desirable — and that, say the Foundation and other academics and town planners concerned to plan for post-apartheid cities, means that it is still not able to adequately plan for or manage the cities.

Government and provincial officials stress that blacks have come to the cities to stay. They talk of the need to provide land and finance which would make housing affordable and promote the concept of site and service schemes.

But they are still committed to a "decentralisation" policy which assumes that the growth of the major cities should be curbed and that the government should spend billions creating jobs outside them.

The debate was highlighted at last week's annual conference of the South African Property Owners' Association (Sapoa), whose 700 members control some R17-billion of the country's property.

Director General of Development Planning E G de Beer outlined to conference delegates the government's "two basic policy instruments, orderly urbanisation and the decentralisation of industries", which he

said were essential to resolve the country's vast development problems and achieve its potential.

He said the need for "orderly urbanisation" was clear, given that some 70 percent of blacks could not afford formal housing and would have to be housed in informal shelters. He said 70 percent of the additional land the government had made available for black urbanisation would be used for informal housing. "Informal dwellings in conventional and informal towns will have to be accepted as forming part of the housing stock," he said, using the terminology for "squatters" more usually used by the Urban Foundation.

But De Beer emphasized that government policy on urbanisation must be seen in the context of "balanced regional development".

While he outlined the virtues of urbanisation in terms of creating growth he pointed to the need to limit the growth of the cities, by means of the decentralisation policy. This, he said, was "based on the premise that the country cannot adequately accommodate the expected rate of urbanisation in an orderly manner in the exist-

Government officials now accept that blacks are here to stay in the cities. But that doesn't mean they like the idea — or plan for it in any coherent way. HILARY JOFFE reports

ing metropolitan areas alone". The policy, as he explained it, was to influence the rate of migration to the metropolitan areas by stimulating development and job creation in rural areas and by creating "alternative centres for urbanisation".

The Regional Industrial Development Programme was not seen as an alternative to urbanisation, De Beer said. The urgency of decentralisation had in fact been enhanced by the government's introduction of planned urbanisation.

"Orderly urbanisation" did not only relate to metropolitan areas, he said, but also aimed at urbanisation in rural towns and cities. One of its major objectives was to develop "viable economic concentrations in the various regions with a view to initiating self-generating growth in such regions". There were also, he said, many eco-

nomical and social advantages to providing job opportunities in rural areas.

But the Urban Foundation has taken issue precisely with the government's policy of decentralisation, often referred to as "deconcentration" when it refers to encouraging the growth of small towns near metropolitan areas. The UF argues that urbanisation and deconcentration are directly opposed — and that the government's continuing focus on deconcentration indicates its failure to address the urbanisation issue.

At the Sapoa conference, Erky Wood of architects Gallagher Aspoas Poplack Senior, who has done research for the UF, commented that "anti-city" preconceptions were hamstringing South Africa in dealing with the challenge of urbanisation.

"White, enfranchised South Africans enjoy the apartheid city on their own terms at present and reactions range from mild panic to full-on paranoia in contemplating its future on any other terms," he said.

It was mostly because of apartheid ideology that deconcentration to marginal areas continued. South Africa's

cities were limited in the extent to which they could effectively assimilate rural migrants because they confined accommodation for such people to rural fringes, he added. And, he said, "we tend to see urbanisation simply as a housing problem rather than as a complex issue of urban management".

Wood was fairly mild in his comments to Sapoa on deconcentration.

But UF executive director Ann Bernstein was more scathing in her criticism of government policies in a speech to a conference on the future of the Witwatersrand earlier this year. "It makes no sense to accept black urbanisation and the expansion of the cities and yet simultaneously cling to policies designed to prevent, redirect and disguise black urbanisation," she said.

The deconcentration policy was based on the misconceived notion of ideal city size, a theory which is now totally discredited in the international literature, Bernstein said.

It was a policy tied intimately to homeland development — rather than to economic growth, she stressed. The government's Guide Plans for the PWV area showed a string of deconcentration points to the north, close to homeland borders — Brits, Garankuwa, Bronkhorstspuit and Ekangala. But there are no such points in the Vaal Triangle — the one deconcentration success story in South Africa — apparently because there are no homelands in the south of the PWV.

"Ideology takes predominance over economic and development considerations in the identification of deconcentration points," Bernstein said.

The policy created a form of urban growth which was uneconomic and required ongoing subsidies — for example the estimated R1-billion a year in subsidies for commuters to the cities from far-away homeland townships. It also hindered small business and informal sector development, she said.

She added that the UF's analysis showed South Africa's pattern of urban development was not unbalanced. "Over concentration" was not the problem in the Witwatersrand, she said, the issue was "how to manage greater concentration at the centre".

The government had recognised black permanence in the cities with the 1986 White Paper and the abolition of influx control. But the White Paper did not provide South Africa with an urbanisation strategy nor an urban policy, Bernstein said.

"The practical consequences of accepting black urbanisation entail a fundamental reassessment of South Africa's cities and the policies that affect them," she said.

Demographic analysis suggested that:

- South Africa's population would be nearly 60-million people by the year 2010, compared with 34-million in 1980
- Metropolitan areas would have a total black population of 26.8-million by 2010 — an increase of nearly 300 percent on the 1985 figure of 9.3-million
- By the year 2000 South Africa would have at least four major centres with population of over 4-million people. The total population of the PWV would be close to 12-million people by the year 2000 and over 16-million by the year 2010.

Bernstein said a decade was a short time in urban planning terms — planning had to be done now for a hugely increased scale of urbanisation. Accepting the inevitability and irreversibility of black urbanisation implied "an acceptance of the ascendant role of the cities in the development of the country", she said. The cities were at the crossroads and must respond to the challenge of the country's future. The cities must spearhead economic growth and demonstrate the effects of planning for all 35-million South Africans. They must be arenas for racial accommodation and new ways of living together. And they must provide the environment for democratic decision-making and institution-building, Bernstein said.

The invisible divides in office eating places

Industrial canteens are generally desegregated these days, but more subtle hierarchies remain. PHILIPPA GARSON reports

WHERE people at work sit down for lunch these days can reveal much about just how progressive companies really are.

Most seem to have adopted "non-racialism in the eating place" as official policy. But there are ways and means of separating a (mostly black) work-force from (mostly white) office staff and management sectors.

Despite a new initiative on the part of many companies to do away with separate canteens for workers and management, most continue to keep up these hierarchical divisions in one way or another.

The companies argue there are practical reasons for this; but some trade unionists see it as a way of entrenching hierarchy in the workplace, and in some cases as merely a smokescreen for racial segregation in a new, less formal guise.

Canteens segregated by rank have become an issue on Anglo American's mines recently when black workers entered canteens reserved for supervisors, as part of the defiance campaign initiated by the Mass Democratic Movement.

Anglo public affairs manager Adrian Du Plessis said this week the group would encourage unions who wish to discuss the issue to approach management "through the established channels".

"Where service conditions, including mine catering, are differentiated, they are based on levels of skill and seniority. It is not our policy to differentiate on race," he said.

Says Neil Rodseth of Supervision Food Services, which caters for 300 companies nationwide: "Most the companies we cater for have separate canteen facilities for white collar and blue collar workers, though in some of the bigger companies we're finding a move away from this."

But the public relations officer of another leading catering company, which supervises 800 canteens countrywide, says: "There's been a definite move away from formally or informally racially separate canteens, especially over the last three years." And the fact that some companies provide various meals, depending largely on the budget dictated by his clients, "there is usually a definite differing of standards. We usually provide a three-course meal on the management side, and a two-course meal on the other."

Open, but not too far open

OFFICIAL non-racial company policy on eating facilities may be one thing — but practice quite another.

What actually occurs in the canteen environment of those companies where workers, office staff and management grab their hour of leisure time together? Do class and culture meet head-on round the dining room table?

Or is the day-to-day lunchtime experience just another example of a situation where apartheid's walls have stood for so long they refuse to crumble — even when "officialdom's" foundations have been removed?

The amount of "mixing" seems to depend largely on the location of the canteen. This is the view of Jeremy Daphne, from Commercial Catering

and Allied Workers Union, who describes the work eating place as a "microcosm of society".

Daphne says one would be hard-pressed to find any major company in the retail trade whose canteens are not officially non-racial. But what happens at lunchtime varies greatly.

In some regions, particularly in the Transvaal and Orange Free State, unofficial segregation is "rife". Even in urban areas, where a fair amount of mixing occurs, Daphne says there is still a tendency for different racial groups to stick together.

OK Bazaars' Gavin Brown describes this tendency as one of "natural segregation" which, he agrees, is most prevalent in the northern provinces.

headquarters, he adds.

So functional requirements do undoubtedly call for different eating facilities, although status considerations can, it seems, creep in as the hidden agenda.

At Volkswagen's Uitenhage plant there are separate canteens for white and blue collar staff — and the distinction is based on clean versus dirty jobs. Says manager Leslie Bezuidenhout: "There are no racial divisions whatsoever. Those that exist are based on rank, not colour." But, he adds: "You don't want a worker with a dirty overall coming into a place with clean office workers. But if a blue collar worker is clean, of course he can go into an office staff canteen."

Bezuidenhout says that though there are different eating facilities for different ranks the budget allocation for the various canteens — excluding the executive dining room — is the same. "Food comes out of the same kitchen, and the menus are identical. The executive dining room is a bit fancier, though, with more upmarket decor and a wider variety of food served."

Some companies do spend more on management meals than on those of the work-force. Rodseth says though the quality of the meals his company provides varies greatly, depending largely on the budget dictated by his clients, "there is usually a definite differing of standards. We usually provide

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that between hourly-paid and monthly-paid staff, a distinction which in some cases has been manipulated to guarantee an "unofficial" racial separation.

The National Union of Metalworkers' Jeff Schreiner says that though desegregation has occurred on a fairly wide scale, artisans — most of whom are white — frequently oppose the move and are thus classified with "office staff" for canteen purposes, even though their wages are clocked on the same basis as those of workers.

Another scenario, says Schreiner, is that where desegregation has occurred but has not been adequately publicised to the work-force: "Workers are often not aware that the situation has changed and things continue in much the old style."

The standpoint of most unions seems to be that the most important battle — for non-racial canteen facilities — has been won, and though they stand against divisions according to rank and seniority, there are more important matters to take issue with.

There are those companies which have broken completely with any form of separation, save the executive dining room reserved for upper management. BP South Africa says its canteen is used by everyone at the same time — irrespective of job grade. "Workers and management eat side by side, and people sit together in every possible permutation."

The same goes for OK Bazaars. Where canteen facilities do exist, workers and management eat together.

These companies still have executive dining rooms but, says OK executive Gavin Brown, these are specifically utilised for functions and promotions. However, he adds, some senior management groups still frequent them on ordinary days.

At Vanderbijlpark steel manufacturer Cape Gate a modern canteen facility has been recently erected, which, says industrial relations manager Louis van Wijck, was designed for people to relax in a pleasant atmosphere. A definite spin-off has been the breakdown of racial barriers.

But though the canteen is large enough to house everyone together, mixing between factory and office workers is limited by the metal industrial council agreement on lunch breaks, Van Wijck says.

wmail 25-31/8/89

PROPERTIES IN POSSESSION

Puzzling patterns

Lending institutions are naturally anxious to avoid the image of the hard-hearted mortgage holder who, in bad times, forecloses and

throws the family on to the street. For this reason, their representatives talk in hushed tones of properties in possession (PIPs).

But like death and related subjects, PIPs are a fact of life. Increases are as inevitable in recessionary periods as increases in assets in boom times. When interest rates rise, people who have over-extended themselves on monthly repayments, fall into arrears — and insolvencies and liquidations rise. Now that building societies are lending up to 90% of the value of a home and banks up to 100%, the risk profile of loans has increased considerably from the days when buyers had to put up a stake of up to 25% and the registrar insisted on institutions enforcing a 25% instalment to income ratio.

Many institutions must regret the passing of those requirements.

The result, according to recent statistics from Information Trust Corp (ITC), is that, in the 12 months to July, there have been huge increases in the number and value of judgments concerning repossessions.

ITC's figures (which include legal costs and interest rates) present some interesting anomalies. Why, for instance, should the value of judgments in magistrates' courts have increased 63% to R124m while their number rose only 4%? Not even inflation explains this.

Even more puzzling is the figure on Supreme Court judgments, where the pattern is reversed: there is a 104% increase in number of judgments and only a 91% increase to R45m in value. This would seem to indicate deflation. No ITC officials were available to clarify the figures and bank and building society officials are at a loss.

The Perm's Denis Creighton points out judgments don't necessarily reflect extent of sales in execution. "A judgment allows us to get an attachment but we don't necessarily do that. We prefer to come to some arrangement with the owner." He denies repossessions are reaching alarming proportions.

In July, he says, the Perm's repossession were marginally up on the previous July, but slightly lower as a proportion of the total home loan portfolio. In the financial year to March, PIPs were 0,69% of total book.

Natal Building Society's Trevor Olivieri says its PIPs as a proportion of the total book increased only 0,2% since last July. In the

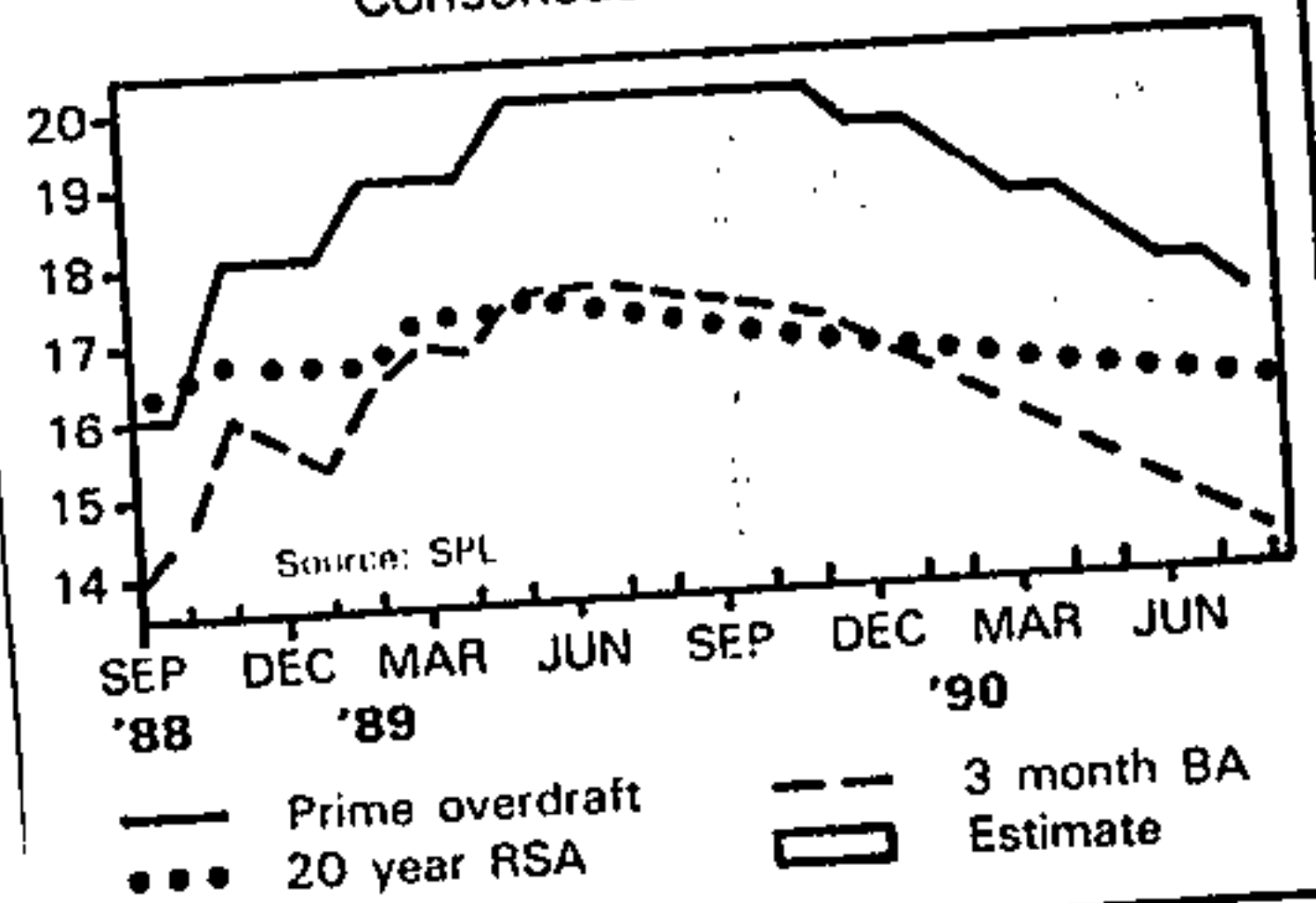
months, the historic trend indicated call rates would decline. This would distort the normal relationship between the two. Implications are that either prime, which has been 20% since the beginning of May,

15,90%; 16,75%; and
 Within 12 months: 17%; 14,05%; 15,05%; 14,80%; 15,90%.
 So all see little change in one month and little more in three. Most of the change is expected between January 1990 and August 1990.

At the end of September, November and next August, we will record how accurate the predictions were and ask participants to analyse deviations from their own predictions. ■

Crystal ball

Consensus forecast



will be kept unnecessarily high by Bank rate (which is set by the authorities) or that the market is artificially liquid at present, giving rise to unrealistic expectations of downward pressure on call in the future.

While many would prefer to believe that prime is being held unnecessarily high, other explanations seem more likely.

One reason for liquidity in recent months was the difficulty experienced by the Reserve Bank in selling government stock until mid-May. This ran counter to the normal sequence of sales, which are generally high at the start of the fiscal year.

Additionally, nearly R4bn government stock became liquid in July and August, pushing up banks' surplus of liquid assets. This trend will be reversed when about R3,7bn government stock matures between September and February.

The third and biggest input into recent liquidity has been Bank losses on forward cover operations. Reportedly about R14bn of the forex-related R16bn owed the Bank by Treasury is attributable to forward cover operations. Here again, however, future stability of the rand could reduce or end these losses for a while, removing the credit-creating impetus which builds liquidity.

And as these changes feed into the system, the distortion in the relationship of call and prime will be eliminated.

Economists taking part in the exercise were Ben Meyer of Corbank, Jos Gerson of stockbroker Mathison & Hollidge, Mike Brown of stockbroker Frankel Kruger Vinderine and Nick Barnardt of Trust Bank. Predictions were on five key rates — prime, now 20%; three-month BA, 17,4%; 12-month NCD, 18%; three-year RSA, 16,3%; and 20-year RSA, 17,10%.

The economists' average forecast is that:

- Within one month rates on the five instruments will be, respectively: 20%; 17,25%; 17,95%; 16,10%; 16,85%;
- In three months: 20%; 17,05%; 17,70%;

Houses are cheaper — but are more people buying them? (123)

Wmail 1-7/9/89.

By PHILIPPA GARSON

HOUSES are more affordable now than they were 10 years ago.

And despite escalating housing prices and bond rates — a feature of the dubious economic climate of today — home ownership is still relatively cheap and the property market in "white" areas is reasonably active.

This is the view of economist Hans Falkena, who has analysed trends in housing prices over the last 10 years. His findings appear in the United Building Society's quarterly housing review released this week.

He has set the rise in nominal (money) house prices against the inflation rate as well as against the rise in salaries over this period.

Falkena's nationwide survey excludes houses priced below R30 000 and above R300 000. According to the survey, which also examines 1989 price hikes on a three-monthly, or quarterly basis, the Durban-Pinetown area and Vaal Triangle have this year experienced the biggest increases, with property up by nine percent in the second quarter. In the Johannesburg area property has rocketed by 26 percent in the past year.

In the Free State, Northern, Western and Eastern Cape and East and West Rand in the Transvaal, increases have been lower, ranging from three to five percent in the second quarter.

The rise in house prices in monetary terms is a direct consequence of inflation — the real value of property has stayed much the same since the beginning of 1987.

Building new houses, however, is proving more costly, largely because of the rapid increase in building costs, which Falkena says are rising at a rate of 18 percent — slightly higher than the inflation rate.

But Falkena's analysis shows there has been a steady increase in the number of houses built in white areas since mid-1986, though there has been a definite tailing off of new housing ventures in the last few months.

He predicts that the general economic climate is bound to take its toll on the property market, even though house prices — when measured against salaries — are "at an historically low level" and have become (theoretically) more affordable in the past three-and-a-half years than at any other time this decade.

But because bond rates are up and unlikely to go down until the middle of next year, buying a house is proving more difficult for those in the lower and middle income bracket. And though Falkena's statistics show a relatively high level of real estate

activity nationwide, some estate agents say they are feeling the effects of the slump.

Says Aida Geffen, managing director of Aida Holdings, the largest estate agency in the country: "We've seen a drop in the property market since October last year, and at present the outlook is not very optimistic."

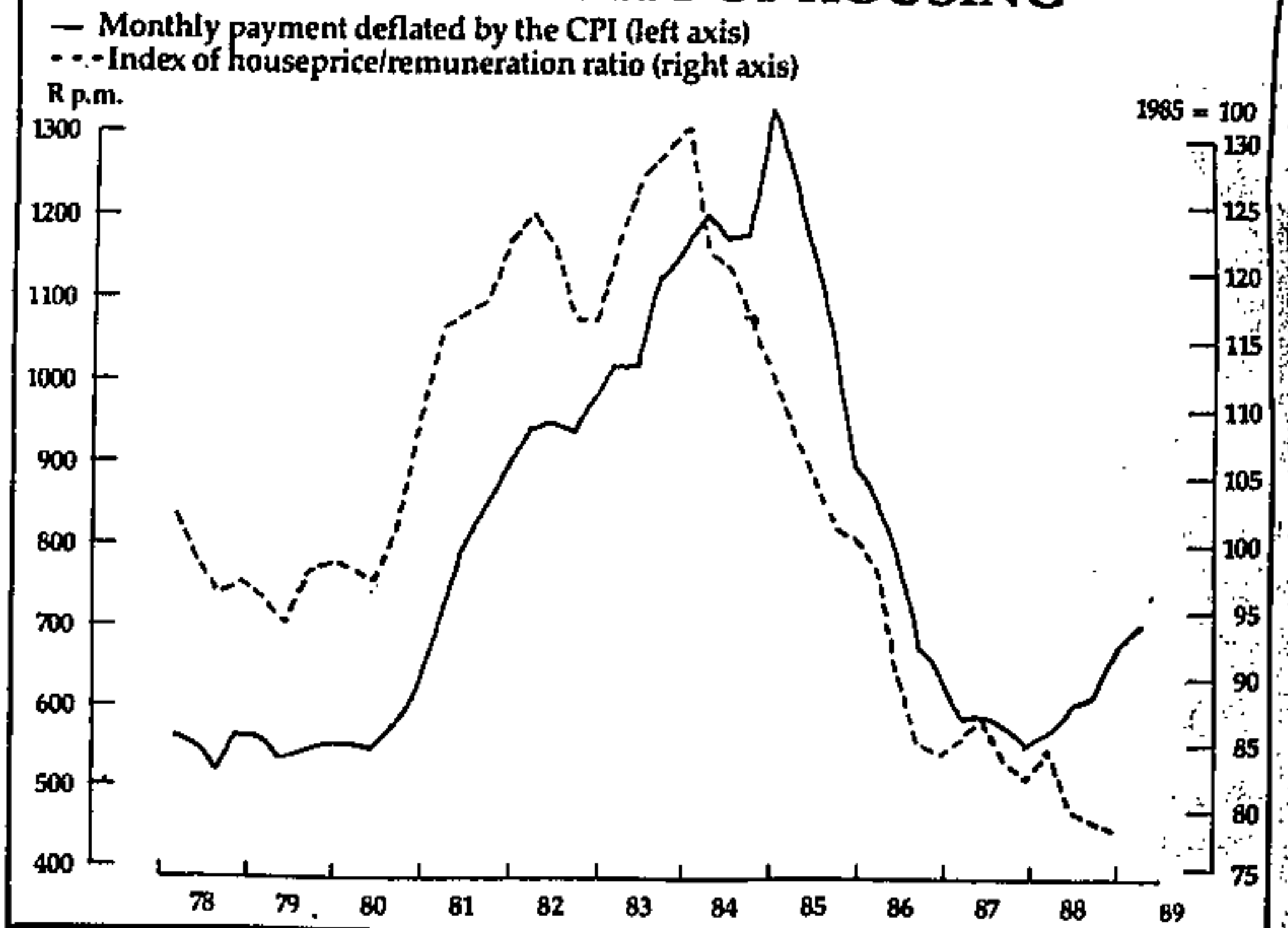
Aida's sales have increased over the last year, but only because their franchises have increased — to 43 agencies, from 22 two years ago.

But Falkena believes it takes a while before the effects of the recession are felt — usually when the economy is back on its feet again. He cites a Dutch saying to describe this phenomenon: "Most ships sink when the harbour is in sight, not when they're in the middle of the sea."

For Geffen, property is one of the first ships to sink, because it is one area most sensitive to changes in the economy — and in politics: "Whatever happens in the economy, happens first in property," she says.

"I don't know if it's because of the

AFFORDABILITY OF HOUSING



Bond rates have gone up, but so have salaries, so houses should be more affordable.

Graph: UBS

elections, and the generally unstable situation in the country, but people are not buying like they used to.

"And with prices up and the falling value of the rand, they simply cannot afford to anymore."

She says, however, sales of houses costing R1-million or more have increased because the very rich simply don't feel the pinch.

But in areas like Triomf and West-

dene, where the government has been buying houses for employees in the civil service, property has gone up by about 15 percent, and state grants are not large enough to cover costs.

Geffen says these government subsidies range from R55 000 to R60 000, "but now you can't find a house for less than R75 000 in these areas, and as a result, these subsidies have simply dried up".

OVER the next few weeks, we will run a six-part series of articles - brought to you by Schachat - about everything you need to know about owning your own home.

With an increasing number of homes being made available to buy, on either the freehold or leasehold systems, opportunities now exist for the aspirant home owner to realise his dream.

However, in order not to "get caught", or make a bad buy, the first time home owner needs to be fully informed about all aspects of home ownership.

This series will look at the most important topics such as "what it will cost?" and "How to choose the right home?"

Many people place the dream of owning their own home higher than any other lifetime ambition.

This is not surprising. It is wonderful to have the independence that home ownership provides and it makes good sense for both financial stability and your family's security and peace of mind.

I. Benefits

(a) Excellent investment

Buying a well-built house from a reputable builder is one of the best ways to make your money grow. Due to the short supply of housing, the value of your home will continue to grow year after year.

By the time your bond is paid off, your house will usually be worth many times what you paid for it. You can also sell your house at any time and you will almost always make a good profit. You can even rent out your house to other people.

(b) Security

A home of your own

Enjoy the benefits of owning your home



Schachat
Homebuilders

property by the time you become a family man. Buy soon, even when interest rates are high. Because the rates and your payments will come down again, but building costs won't.

In our next two articles we will look at how to go about buying your own home. We'll explain all the terminology and procedures, as well as how to determine what sort of a home you could afford.

123

7/9/89

gives you security and peace of mind, knowing you have a permanent place to live and to bring up your family. Rising rents need never bother you again as the house belongs to you, not a landlord.

Best of all, by the time you retire, your house will usually be paid off and you'll have a permanent roof over your head in your old age.

(c) Money for the future
As the value of your house increases, you can use it as security for other loans, e.g. for your children's education, or even extensions to your home.

(2) Buying versus renting
When you rent a house, rental payments usually increase yearly and every cent goes into your landlord's pocket.

When you buy a house your monthly repayments are fixed to the original purchase price and they stay more or less the same, depending on interest rates. Once you've paid off your loan you have a roof over your head and it's free from then on.

Also remember that you can always build an-

What is the best time to buy a house?

other room or garage onto your own home as your family grows. You cannot do this with a rented house.

(3) Freehold or leasehold

Depending on the area in which you live, houses can be built on land which is either freehold or leasehold.

In the case of freehold land the home buyer buys the piece of ground on which his house is to be built and this is added to the cost of the home.

In the case of leasehold land the ground is owned by someone else and the home buyer has to pay a low yearly or monthly fee for the lease of the land.

While building on someone else's land may sound worrying, it is much the same as build-

ing on your own land.

Building on leasehold land allows you just as many choices as on freehold land. As with freehold land, you have permanent rights; you can leave the property to heirs in your will and you have the right to sell.

Building societies will give you a loan to build a home on leasehold land and you may even rent the house out.

Leasehold land saves time and money in that you can build on it without the expense of having the ground surveyed - as in the case of freehold land.

You are also spared the cost of stamp and transfer duty which you need to pay when buying freehold land and even the conveyancing fees are less.

Any type of home can

be built on leasehold property as long as it complies with the normal building regulations and by-laws.

In addition, leasehold property can be held in shares if there are several of you buying the house.

Under leasehold, an owners rights are permanent and your house will remain yours until you sell it.

Although the term "leasehold" sounds temporary, each householder has leasehold rights for 99 years and any new buyer or heir starts the cycle afresh.

Under leasehold you still have the right to own more than one property. Women - whether single, married or divorced - are also entitled to lease land.

(4) What is the best time to buy a house

If you have decided to buy a home of your own then do it as soon as possible. Building costs increase every year because of inflation, so the sooner you do it, the cheaper it will be.

You need not wait till you have a family before you buy a home. If you can afford it now, you will already have the security of your own

RABIE Investment Holdings, the Cape-based township developer, has bucked the sorry trend in the black housing market with great results in the year to June.

In only its second year on the JSE lists, Rabie has also clinched a deal in ready-built housing with Murray & Roberts.

The two companies have pooled their ready-built and portable housing interests into a new company, to be known initially as Newco.

Benefits

Rabie contributed Zozo Group, which it acquired only six months ago and M&R its Parkhomes. Newco, valued at R30.6-million, will be No 1 in the fast-growing ready-built housing market. M&R will have 60% of the merged company and Rabie 40%.

Rabie appears to have been dealt with favourably because had the acquisition been in place last year, earnings would have increased by 5,7c to 42,8c and net assets would have been 12,1c higher at 84,8c a share.

The partners say there will be sales, distribution and manufacturing benefits in the merger.

John Rabie, chairman of Rabie, tells Business Times that large construction projects such as Mossgas and Lesotho Highlands, together with a growing leisure mar-

By David Carte

ket, have made pre-built housing a hot business. He expects strong growth in Newco, which will soon be given a permanent name.

Bonus

Because joint ventures make turnover meaningless, Rabie provides only a percentage increase in turnover. The rise in the year to June was a staggering 148%.

Pre-tax profit leapt by 79% to R9.5-million. Tax took 34% (3,7%), leaving taxed profit ahead by a modest 18%. Because of the larger number of shares in issue after the Zozo acquisition, earnings rose by 11% to 37,1c.

A 15c dividend has been declared — a 15% improvement. Shareholders will be able to take bonus shares instead of dividends.

The directors, who hold 58% of the equity, will take new shares on terms still to be decided. Return on equity in the company is 40%. Small

wonder the company seeks to maximise retentions.

Expecting growth both in housing and in Newco, Rabie forecasts higher earnings a share this year even though it expects the tax bill to rise slightly from the present 34%.

Mr Rabie says his company avoided joining the roll-call of casualties in black housing by separating township development and construction.

Separate

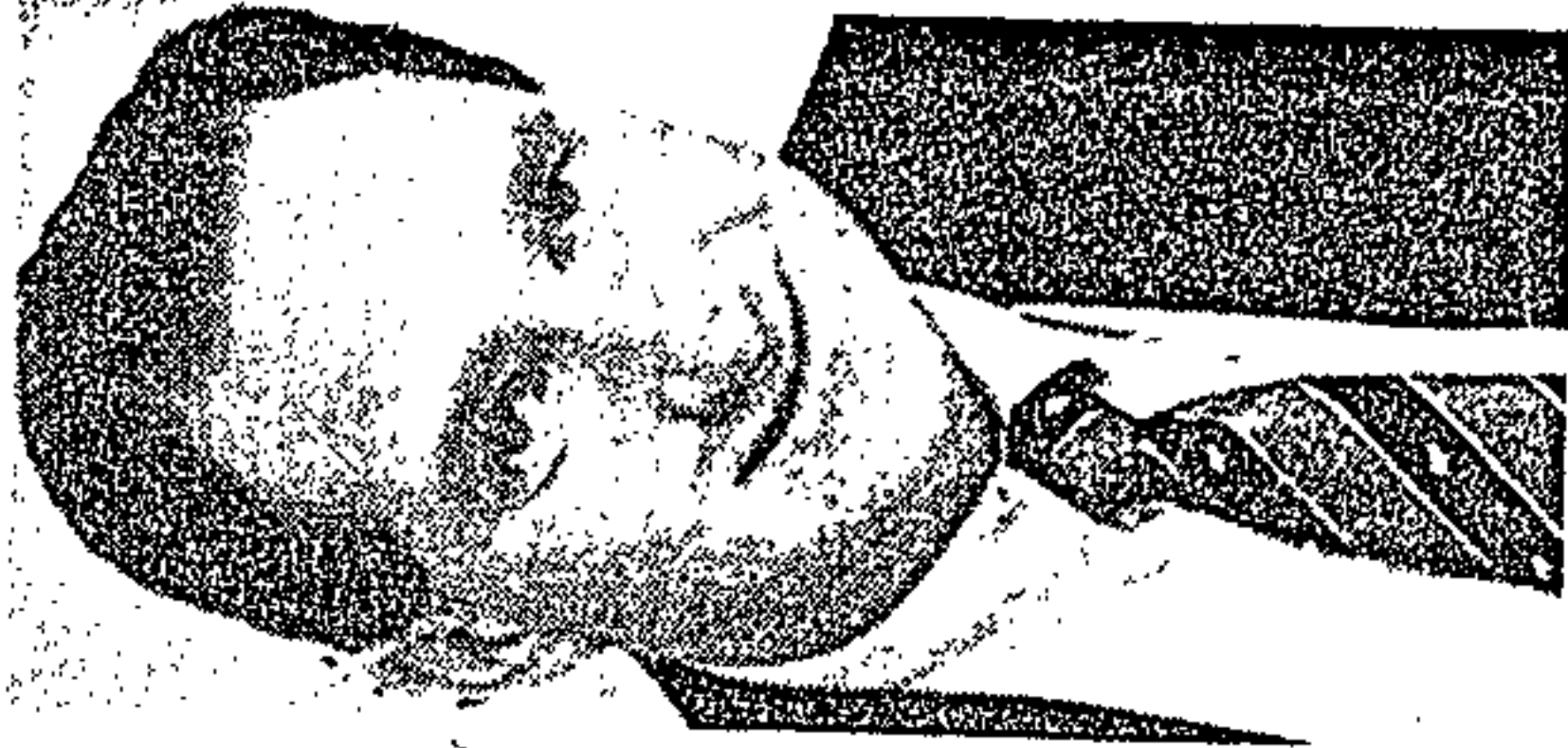
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"Those who collapsed in black housing were builders who could not handle the administration and the marketing."

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123

Rabie does M&R deal



JOHN RABIE ... close to the house-buyer

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"Each contract is negotiated separately. We keep the development and the building functions at arm's length.

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Lawns

"We help the buyer from first contact till the house is built. We put in lawns before handing over. That makes such a difference to the feel of a new township.

"We follow up contact with our clients, making sure they are happy with their homes and that all is well with the financing. You would be amazed at the response. We have a positive brand image and we are drawing reliable

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The average house for blacks costs R45 000, but Rabie is also able to offer homes in the popular R25 000-R35 000 bracket.

At present 4 000 houses are being built for Rabie customers in the Western Cape, Durban and on the Reef. If the average price is R50 000, one is looking at an order book of R200-million.

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Rabie does M&R deal

S/Times 10/9/89

Pennies piling up the rands

By Ian Smith

THE housing market may not be all that great, but the home extension business is booming.

Cape-based building materials chain Pennypinchers Holdings (Penpin) and its 80%-owned subsidiary Pennypinchers Boards (Penboard) attribute sterling first-half results to June to this phenomenon.

They have benefited from good sales and national expansion, says chairman Fasil Malherbe.

Transfer

Penpin turnover shot up by 58% to R74.1-million (R46.9-million) and net operating income jumped 51% to R3.3-million (R2.2-million). Earnings a share increased 32% from 7,13c to 9,37c.

Turnover of Penboard, which transfers from the DCM to the JSE main board tomorrow, soared by 87% to R21.9-million and net operating income by 32% to R1.09-million.

Penboard's earnings increased by only 8% to 4,67c a share, but financial director Percy Bishop says this is due to Penboard's geographical expansion, particularly into the Transvaal, which led to high start-up costs.

Penpin has declared a dividend of 4c and Penboard one of 2c.

Historically, turnover and earnings of Penpin and Penboard in the first six months account for only 40% of the group's annual total.

"Traditionally, trading is far better in the second half of the year so the companies should have no difficulty in meeting forecasts," says Mr Malherbe.

Liquidation

"We took over several companies in the Transvaal which were in liquidation or not trading exceptionally well and turned them around. We revamped stores and divisionalised them, making each its own profit centre."

"Expansion into the Transvaal has been successful. Our infrastructure is in place and we have 13 outlets which are on line and contributing to the group. Our aim is to have 60 outlets in the Transvaal by the end of next year."

"We have a unique style of retailing and we see the Transvaal as a market with incredible market expansion potential. About 68% of our building materials sales are in the Transvaal, and will provide our major business thrust this year."

Mr Malherbe says the group is selling property to fund expansion. The property portfolio has a market value of R24-million and the directors plan to sell developed properties to offset borrowings.

Farm

Penpin will retain two adjoining properties in Randburg where it intends to develop a major building materials warehouse. It will also keep the 60ha farm at Lanseria where it wants to develop 54ha with outside participants. Penpin will retain the other 6ha.

The group has also ac-

quired industrial land at Noordhoek in the Cape where Penpin will build an outlet.

It has been a busy time for the group. Penboard took over Atlas Laminates in Alberton, one of SA's leading formica distributors, and it also acquired Springbok Timbers in Johannesburg.

Penpin acquired Stadlum Timbers in Germiston, which will house a second roof-trussing plant, and Brandweg Timber & Hardware in Pretoria West.

In the Eastern Cape, Penboard took over Hyco, which makes joinery for Penpin, making the group self-sufficient in the joinery and machine timber market.

Penpin also took over the premises and operations of Glazer Trading at Uitenhage.

Marli

By Julie Walker

LEADING granite producer Marlin has taken a step towards benefiting some of its production with the purchase of Marble Pentelic.

Pentelic is one of South Africa's foremost contractors in processing and application of dimension stone for use in construction.

THE WA

A summary of this week's corporate announcements.

Monday — Fintech sells Office Automation to Punch Line for R46-million cash. Fintech to get R2-million a year in fees. It owns 81% of Punch Line, which is to buy Technologies Acceptances for R800 000. NCR to be 51% owned by Fintech. Name of Punch Line might change.

Ellerine to take over the furniture interests of Barnetts.

Tuesday — Furntech sells Mr Cupboard to Young World Modulus for R7-million cash. Vadek issues a warning — change of control possible.

Last day to register for Funa shareholders for 57c stand-by offer from Rand Merchant Bank 15 September.

Lefkochrysos to be renamed Barplats Mines. The Brits mine itself to be known as Crocodile River, and the Steelpoort site as Kennedy's Vale. Expansion at Crocodile River to be accelerated to 250 000 tons a month by the end of 1992, and at Kennedy's Vale to 180 000 tpm by 1996.

Barplats Mines to raise R300-million. Barplats Investments to follow. Vansa — which owns 18% of Barplats Investments — to renounce its rights to shareholders. Rand Mines will follow its rights and will have its own rights offer.

Minorities holding 3.2% of Multisource accept offer of 75.2c a share.

Wednesday — Rale to raise R8.27-million at 30c a share, 40 for 100. Last day to regis-

(123) W mail 15-21/9/89.

BUSINESS

Up to half black land not suitable

DESPITE government claims that it is providing land for black housing, land proclaimed for black development on the PWV since 1986 is inadequate and up to half of it may be unsuitable.

Proclamation of new land is becoming more difficult for the government as it becomes harder to find sites far enough away from white residential areas.

Some 33 000 hectares in the Pretoria/Witwatersrand/Vaal area have been designated for black development since 1986. But new research conducted by the South African Institute of Race Relations (SAIRR) shows habitable portions of this land would meet only 26 to 28 percent of the estimated need for land up to the year 2000.

The viable portions of the proclaimed land could accommodate roughly 330 000 people or between 14 and 33 percent of "squatters" in the area at a density of 20 sites per hectare. The former estimate is based on the Urban Foundation's estimate of 2.4-million squatters in the PWV, the latter on official estimates of one million.

Up to half the land set aside for black housing is unsuitable or inaccessible, reports ELAINE COSSER

But up to half of the land set aside is either unsuitable for housing or inaccessible because of mining titles or political resistance — for example, from white local authorities — to freeing the land.

Land which is available is becoming over-priced because of speculation.

According to certain government geologists, much of the proposed and existing housing development on the East and West Rand straddles dolomitic rock — a risk for home owners. Dolomite places particular constraints on minimum sewage and water standards. Geologists believe that the special risks associated with dolomite ought to be made known to buyers and developers.

Housing experts note that despite problems experienced so far in freeing land on the PWV, even greater problems are likely to arise in the future. Land set aside so far for black housing is largely next to or between

black townships and there is less and less of it available. Future options for black land will therefore entail freeing land near white suburbs and this is likely to draw sharp opposition.

State planners rejected the idea of freeing land near white areas when this was proposed by a consortium of private town planners commissioned by the government in 1988 to investigate land availability.

For legal black settlement of land to take place "suitable" areas must first be identified by the government and then be proclaimed or designated as a development area. Land proclaimed for black people in the PWV is not necessarily destined for housing but for the general "development" of their racial group.

Officials anticipate that land set aside for blacks which is unsuitable for housing will be used by blacks in other ways — for example, as market gardens or smallholdings. Critics note there is little call for such land-use among blacks in the PWV area.

The government is, however, considering the designation of a further 25 000 hectares on the PWV as a development area for black people.

By Robyn Chalmers

STARTLING figures reflecting SA's deepening housing crisis are disclosed in the SA Housing Trust annual report.

The report says the scale of the problem is now so large that no single initiative is likely to work. The trust cannot hope to contain the crisis and says it is unrealistic to expect that all the homeless will one day own houses of their own.

It estimates the total housing backlog at 1,26-million units. Of this, 820 000 are needed in SA — up from 700 000 last year. Another 440 000 units are needed in the self-governing territories and independent states.

The annual building requirement to eradicate the backlog by the end of the century is now believed to be 250 000 units.

To make matters worse, the Stellenbosch-based Institute for Futures Research estimates that black urbanisation will reach 68% by

Housing's shortage

Out of control

2010. In addition, the population, currently estimated at 37-million, should be about 48-million by 2000.

The trust appeals to financial institutions and employers to be more pro-active in providing finance and new initiatives which will make inroads into the backlog.

Reluctance

New trust chairman Simon Brand says the intention is to identify other approaches to the financing system for low-income housing.

"It must be done in ways which will encourage the established private home-loan institutions to enter it on an

increasing scale as a legitimate part of their ordinary business."

Dr Brand believes the involvement of employer organisations in the supply of housing to employees is essential.

He concedes that the task of attaining the co-operation of employers is a difficult one, given the traditional reluctance of institutions to become involved in high-risk areas where margins are thin.

The acting managing director of the trust, Wallie Conradie, is optimistic in the face of views that big employers are unlikely to make major contributions to housing when the economy is slowing.

He says there is no evidence of interest rates falling and "in the end the market will decide, not the major institutions. The market is already starting to shift. The real question is who will read the shifts correctly?"

Strife

Mr Conradie believes companies must look at how they will cost the exercise. In the short term and within simplistic parameters, the costs are high.

But if companies take a longer view and regard the home-loan account to poorer families as an entry level which will eventually introduce a generation of customers to additional financial products, then the cost is amortised on a broader basis. Companies should also

charities are in housing. He says that although the employee is the obvious first beneficiary, the employer could also consider the likelihood of improved labour relations, less industrial strife, lower staff turnover and reduced absenteeism.

"Employers will have to make a greater effort if we are to avoid massive social disruption and confrontation. The point, surely, is that employers have a long-term interest in the development of the affordable housing market, and institutions have an interest in serving it — so long as a fair profit is achievable."

The report shows that the trust has made progress in providing housing. For the 16 months to June 30, 1989, the value of advances made is put at R196-million — up from R47-million in 1987-88.

The value of projects approved by the trust's board since its inception 2½ years ago is R865-million. These projects will result in 49 000 houses, and 38 000 stands with services.

Job creation is another priority, and an estimated 5 300 people have been provided with work. New loans registered by Khayalethu Home Loans in the year totalled 4 119 with a value of R79-million.



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MA1001

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Unicorn coaster

UNICORN Lines has bought a \$17-million oil and chemical carrier for the delivery of refined petroleum products on the South African coast. The 33 900-ton vessel, to be renamed Royal Sphere, will replace foreign carriers, says

Unicorn executive director Fred Harper. "The acquisition is strategically important and it will have a positive effect on the SA shipping industry." There are now 11 vessels in Unicorn's fleet.

R20m Usco plant

CIVIL design work for the R20-million Usco vanadium pentoxide plant at Vereeniging has been completed by Civemech Design & Engineering Services.

The design includes the leaching, precipitation, crystallisation and filtration facilities as well as piled foundations and structural steelwork.

Tractor sales up

SALES of tractors in August rose by 15,5% on the previous month from 502 to 580, says

every Association. Sales for the year to date are 3 761 compared with 3 606 in the same time last

Sectional merger

Business Times Report FAST-GROWING sectional title, which now accounts for about 25% of all resident property transfers in Transvaal, is placing tough demands on management companies.

Two of the largest sectional title management companies, Urban Townhouse Management and a division of Northwest Estate Agents have merged to form a company with a portfolio of 8 300 units worth nearly R1-billion. "Northwest Urban will be in a better position to negotiate improved insurance rates and bank charges and to develop new services," says general manager Kevin It

Black
18/9/89
housing
a priority
— Kriel

Political Staff

REPRESENTATIVE local government for all population groups and black housing as a priority will be two of the main goals for the new Minister of Planning and Provincial Affairs, Mr Hernus Kriel.

Mr Kriel, 47, who has been the MP for Parow since 1984, said yesterday his appointment to the cabinet was "a surprise, a shock".

His appointment to the cabinet without serving as a deputy minister could be seen as "a big jump", but he had served for 3½ years as a Cape exco member.

Mr Kriel was an attorney and an advocate and was involved in diamond mining business on the Cape West Coast before he went into full-time politics.

He was the youngest chairman of the Cape Divisional Council and the youngest-ever MEC in the Cape.

Mr Piet Marais said yesterday his appointment as deputy Minister of Education and Development Aid was a tremendous challenge because black education is very important for the future of South Africa.

A known verligte within the National Party, Mr Marais, who has been MP for Stellenbosch since 1982, said his appointment came as a surprise.

Mr Marais was formerly an attorney.

SA Housing Trust loans up fourfold

ML 20/9/89

123

Business Staff

A FOURFOLD increase in loans was made by the South African Housing Trust, which advanced R196-million in the past 16 months to home-owners in the affordable housing sector.

Only R47-million was advanced in the previous year, says the latest annual report.

PROJECTS APPROVED

Value of projects approved by the trust's board nearly doubled from R441-million at February 1988 to R865-million at the end of June 1989.

These project approvals will result in the construction of 49 000 homes and the servicing of 38 000 stands.

The long-term finance is being provided by Khayalethu Homes Loans (Pty), the trust subsidiary and lender of last resort to families seeking entry to the housing market through trust projects.

Khayalethu made 4 119 new loans to the tune of R79-million during the

year to the end of June. Its aggregate value of home loans debtors, at June 30, 1989, was R97-million (made up of 5 714 individual loans).

The Trust was established two-and-a-half years ago with an interest-free seed capital loan of R400-million from the State.

In November 1987 the Trust went to the primary capital market for the first time to raise R100-million through the placing of 11,3 per cent stock, which was listed on the Johannesburg Stock Exchange.

Since the issue, the total value of stock traded by the trust has exceeded R5-billion.

AVERAGE COST

In spite of the rapid rise in interest rates since the second part of last year, the average cost of these funds, on an annulised basis to maturity, has been kept at 11,5 per cent.

But rising interest rates and rising building costs are obviously challenging factors for the Trust.

10/04/2011/187
New housing shows signs of reversal
(123)

THE downturn in demand for new housing is showing signs of reversal, says Sage Schachat group MD Rob Crockett.

Sage Schachat, which is active across the full spectrum of housing in the white and black markets, achieved unit sales of 150 in August, 50% above the average sales level in the first half of the year.

"We believe the recent sales trend is sustainable, at least in the medium term," says Crockett.

"There is increasing activity and interest in the black housing sector from major corporations on behalf of their employees. This is evident in the demand for land in the Tembisa area, where our group has acquired substantial holdings which will see the development of over 7 000 units.

"There is also scope for development of free settlement areas, and an emerging growth potential in the group housing market."

Experts advise bond holders to sit tight

123
C.M. - T. 15 20/9/87
By CHRIS BATEMAN

HARD-PRESSED bond holders can look forward to a 1% drop in interest rates from about March next year, with the market holding stable till then, according to several bank and building society executives approached yesterday.

The executives advised struggling home owners to "sit tight", warning of the hidden costs of acquiring a cheaper home and of the burgeoning costs of building a new one.

They also urged prospective or current home owners to "come absolutely clean" when applying for a loan, to prevent future financial embarrassment.

Their advice comes as the estimated arrears in national housing bond re-

payment tops R1,5 billion, the highest in the country's history.

According to Trust Bank regional business development manager, Mr Kevin Adendorff, house prices are soaring as demand outstrips supply.

He said the price of an average southern suburb three-bedroomed house had rocketed from R180 000 to R230 000 over the past six months.

Mr Adendorff predicted that by 1991 the bond interest rate could drop to 17%, saving a borrower of R80 000 about R180 a month on present repayments. This is compared to a meteoric rise from 12,5% to 20% in three years.

Mr Bob Tucker, SA Perm managing director, strongly advised home owners to "do all you can to hold on to your property".

Housing backlog now 1,2 million

123
L/E 41643 23/9/89

THE country's total housing backlog has soared to 1 260 000 units, estimates the SA Housing Trust.

In his chairman's review, Dr Simon Brand says in the 1989 annual report the housing shortage in South Africa now stood at an estimated 820 000 units, against 700 000 the year before while the self governing territories and independent states accounted for an additional shortfall of 440 000 units.

"The estimated natural population growth will require approximately 130 000 units to be built every

year. Together with the total backlog, this indicates that approximately 250 000 new houses will have to be built every year to support the housing demand up to the turn of the century," he said.

It is further estimated that about 51 percent of the black population, which constitutes the major portion of this demand, has a household income of less than R400 a month.

"When one considers the magnitude of this figure, it becomes clear that even with full and effective use of all available resources in the country, many people will most probably not be able to obtain a home of their own of even the lowest conventionally accepted standards but will have to share a property with other people, or be enabled to gain access to more rudimentary shelter."

Turning to the economy, Dr Brand states that unprecedented increases in interest rates during the past 16 months saw the bond rate soar 60 percent from the 12,5 percent level to around 20 percent.

"While the rate of increase in the consumer price index remained relatively stable during the review period, the increases in the cost of accommodation both in terms of servicing repayments and the cost of material, exceeded by far the increases in the overall index."

PROPERTY SCENE



MAGGIE ROWLEY

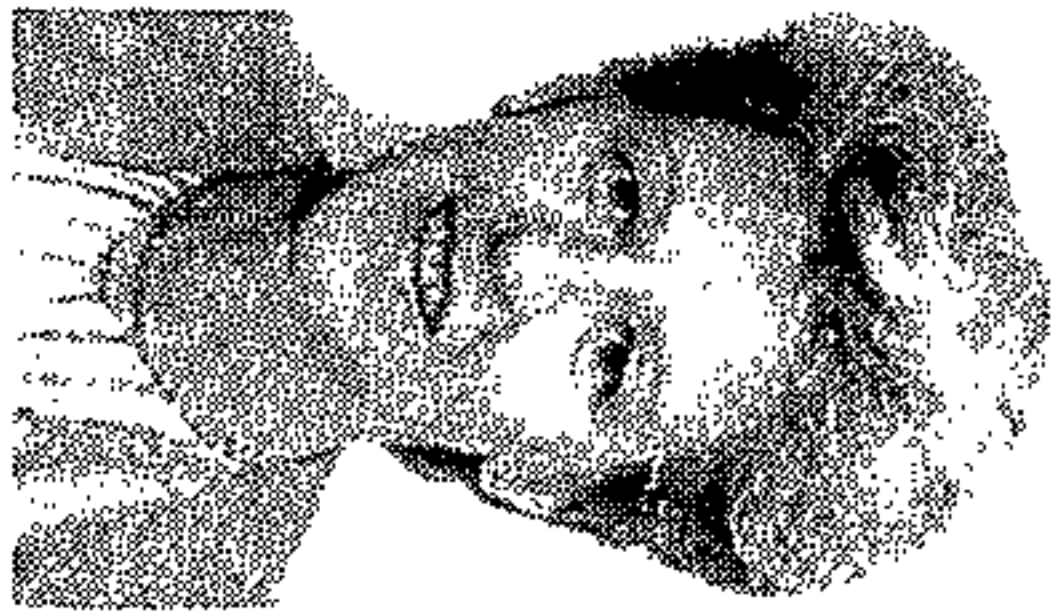
Math Ash paves a model housing path

SA HOUSING Trust statistics showing a housing backlog of 1,26-million units contain a message to employers — become more involved in financing a home for workers.

Housing has become an important issue for companies for three reasons. First, it has been placed on the agenda of trade unions and employee representatives. Second, fewer people can afford a house or flat because of high interest rates and building costs.

Third, although organisations are under no obligation to provide housing, those that do are finding there are benefits — higher productivity, reduced absenteeism and improved labour relations.

The problem is real. Apart from the increasing housing backlog, it is esti-



Patricia Trahar... big benefits from housing scheme

imated that SA faces black urbanisation of 68% by the year 2010 and a surge in population, which could reach 48-million by 2000.

Urban Foundation housing division director Matthew Nel says one of the most important aspects of the issue is that in the past five years, the responsibility for provision of housing has shifted from the public to the private sector.

Even so, there is a huge backlog. Mr Nel believes the challenge is to induce more companies to provide housing for low-income employees.

Many companies have housing schemes. One is Mathieson & Ashley Holdings (Math Ash), which has formulated an innovative programme.

Math Ash executive director Patricia Trahar says SA businesses face several realities from which they cannot escape. They include the need to

123

SA

SA

improve productivity, to overcome antipathy to the capitalist system, to achieve a healthy industrial relations climate and ensure growing markets.

She believes that business cannot but be mindful of the context within which it operates and consequently its responsibility to contribute to meeting the development challenges of all.

Before embarking on a housing scheme, Math Ash analysed numerous other programmes. Many of them offered interest-rate subsidies — so-called subsidised instalment schemes — which Math Ash rejected.

Mrs Trahar says there are three reasons for the decision.

"The first is that the scheme is inaccessible to most employees. Most companies play a passive role and access to information is poor. Many workers

cannot afford costs which are not covered by the bond — legal fees and transfer payment.

"Second, interest-rate fluctuations can hit workers hard, resulting in their looking to the company to meet increased costs.

"Third, under this scheme the consequences for the employee on termination of employment are extremely harsh."

In developing its scheme, Math Ash arranged 100% loans for employees from the SA Perm and guaranteed 20%. It arranged an interest-free company loan of up to R3 000 for each qualifying employee to cover the initial costs.

To ensure that employees under-

51 Truar 24/9/89

stood and took part in the scheme, the company set up a committee of three elected employees and three appointed management representatives.

The committee held meetings with each employee and determined his needs. To eliminate unscrupulous dealers, Math Ash deals with only a few companies whose prices are competitive.

They include the SA Housing Trust and FHA Homes, the housing development company of the Urban Foundation.

Employees are often daunted and confused by the administrative, commercial and legal aspects of buying a house and either opt out or are ripped off.

To avoid this, Math Ash has one firm of attorneys handling the conveyanc-

ing. The attorneys visit employees at the factory.

Math Ash has only one building society branch handling housing transactions. It also presents a multilingual slide show giving details of the scheme.

The SA Housing Trust together with the Urban Foundation have repeatedly urged employers to become more involved in housing. Although many organisations argue that they lose money on it, if they considered all the factors and structured their schemes properly, they would realise that this is nonsense.

Housing will become an increasingly urgent issue at the negotiation table. Employers who are not involved in a housing scheme are advised to start looking at one.

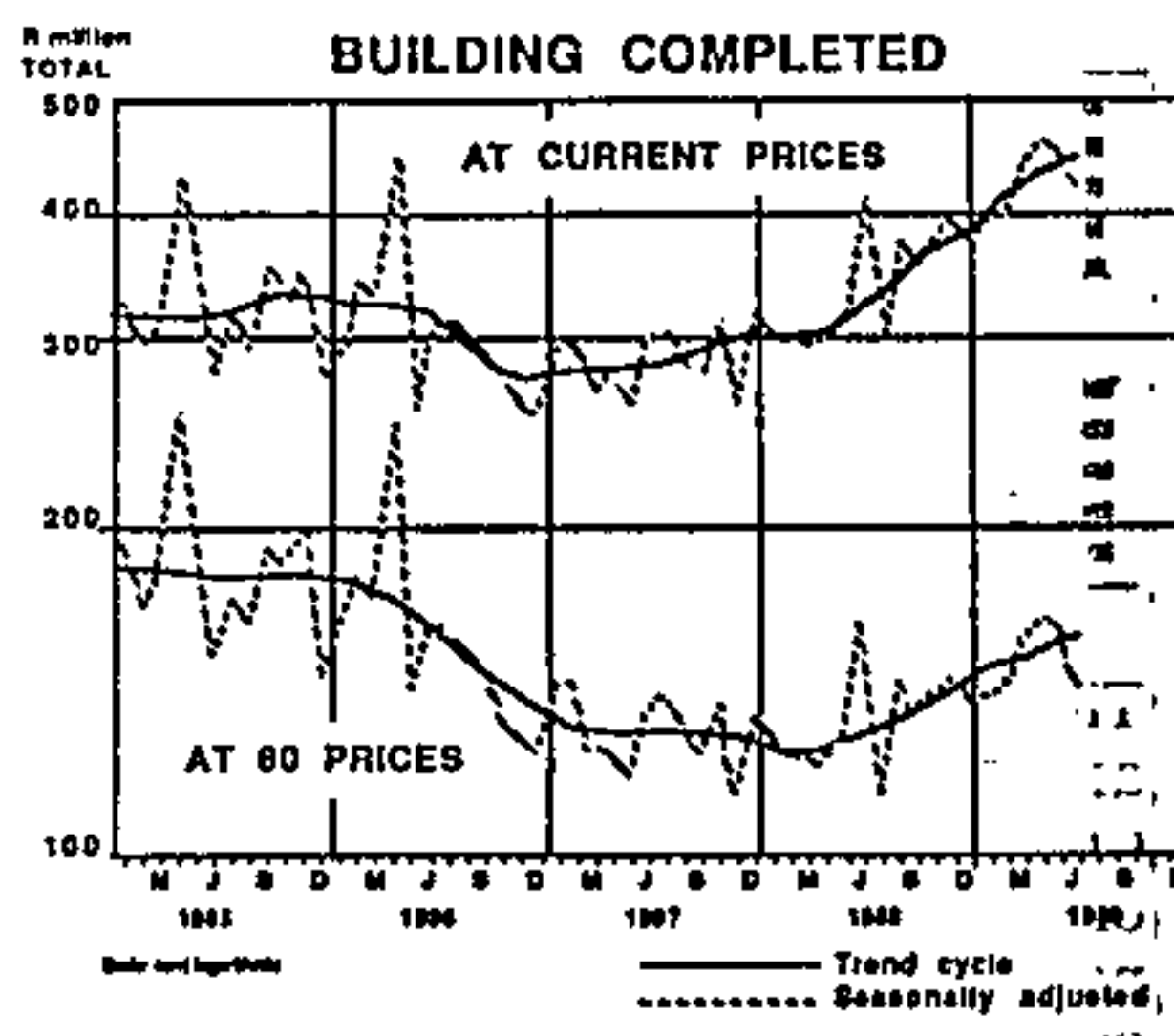
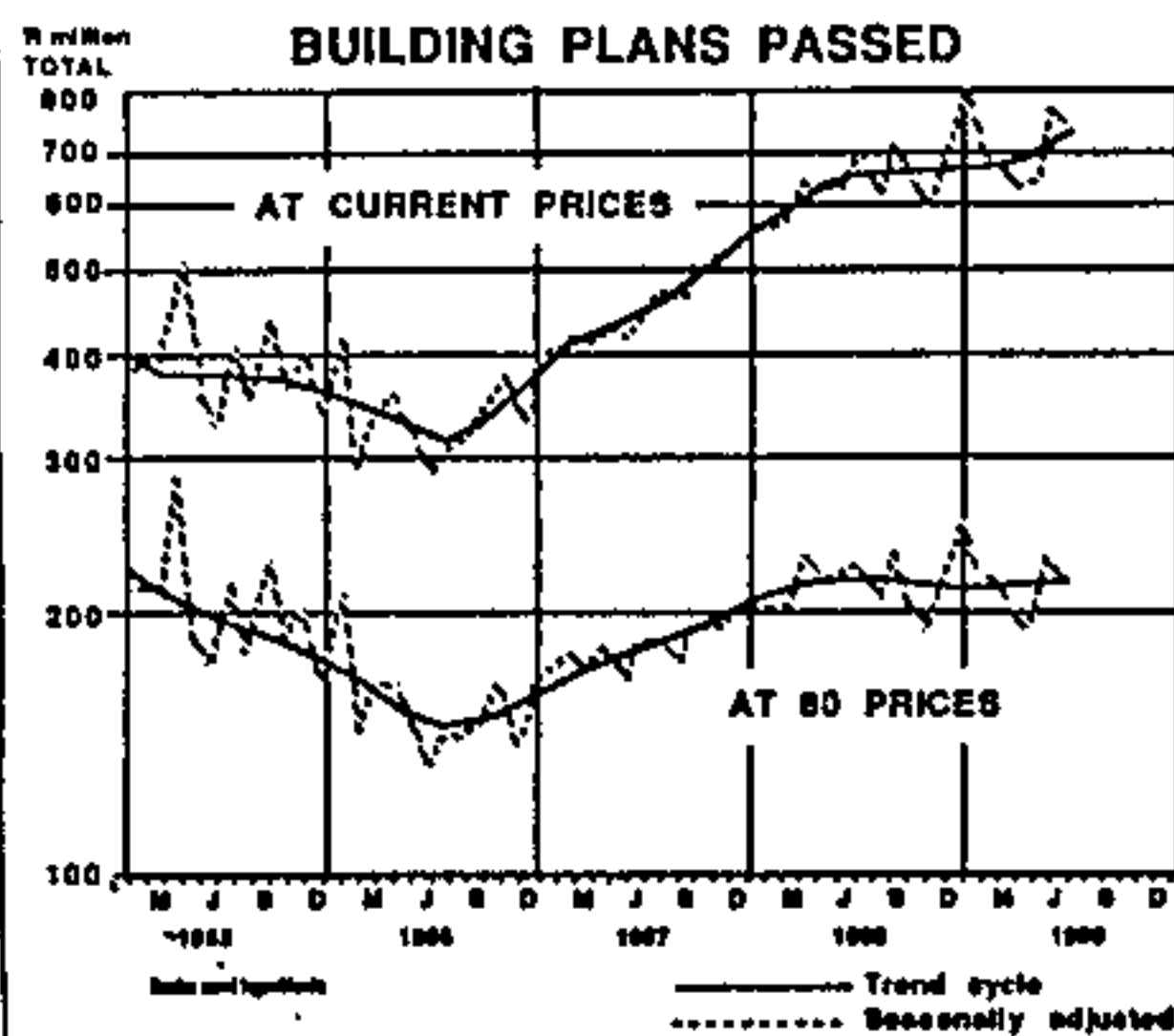
Less is spent on residences

BIDON
26/11/89
HERALD REILL (123)

PRETORIA — Building statistics for the first seven months of the year confirm the trend for reduced expenditure on residential buildings.

Central Statistical Services report that the value of plans passed for houses decreased by 6,7% to R1,782bn compared with the same period last year, and flats and town houses by 17,1% to R326,3m.

However, there has been a 69,7% increase in passed plans for non-residential buildings.



Home building in the doldrums

While there are signs of a recovery in the home building industry on the back of a more positive attitude among buyers since the General Election, the crunch of high interest rates and tighter family budgeting has taken its toll.

Figures from Central Statistical Services (CSS) again reflect the more difficult trading conditions in the residential market.

According to the CSS, there is a more encouraging trend for the industry generally, with the value of building plans passed for the first six months of this year showing a gain of close to 12 percent over the same time in 1988.

However, on the downside, there was a considerable sag of nearly seven percent in the building of new houses and more than 18 percent in townhouses.


The non-residential sector posted better results in the six months and recorded a 53,5 percent increase.

The growing interest among the "stay puts" of homeownership in the face of high costs of moving home, is seen in the alterations and additions market, which registered a 24,7 percent rise.

The total value of buildings completed in the six months showed a healthy 32,5 percent jump over the previous period and all sectors, including homebuilding, had substantial gains.

The significant trend to emerge from the figures, however, is the increasing private sector involvement in providing homes for non-white groups.

Property & Construction



FRANK JEANS

While the number of houses completed for the white market declined by more than 13 percent, there were substantial increases in homes for Asians (33,7 percent), blacks (23,8 percent) and coloureds (17,7 percent).

Civil works

New civil engineering contracts recorded in July totalled R110 million — well below the monthly average of R210 million in the first half of the year.

The South African Federation of Civil Engineering Contractors (Safcec) says the total for the first seven months of 1989 was R1,3 billion, which was 13 percent down on the R1,5 billion in the corresponding period of last year.

Safcec points out, however, that the civil engineering industry entered 1989 with fairly good order books.

"The amount of work remaining to be done on all contracts is R3 billion — 30 percent higher than 12 months earlier," says the federation.

"Although the value of new contracts so far this year is running below the value of work actually being carried out, the total amount of work on contractors' books ensures that activity continues at a satisfactory rate."

Faircape Homes sees benefits from sale

THE sale by Faircape Homes of part of its stake in Health and Racquet Club Holdings to Masterbond Trust for R4,75m will have a positive effect on Faircape Homes' gearing, says Faircape financial director Chris Vietri. *B/D 28/9/89*

Faircape's balance sheet for the 12 months to December values the cost of its 49,9% investment in the Health and Racquet Club Holdings at R2,39m. *(123)*

Commenting on the company's recently announced disposal of 12,5% of its holding in the health and leisure group, Vietri said the sale of a combination of shares and property would result in a R2,7m profit.

"This will be accounted for as an extraordinary item and will have a beneficial effect on our capital base, strengthen-

Business Day Reporter

ing shareholders' funds and improving gearing," he said.

Vietri said the association with Masterbond was likely to be of major benefit to Health and Racquet Club Holdings.

He saw impetus added to the income deriving from the company's remaining 37,4% interest in Health and Racquet Club Holdings.

The effective date of the transaction is December 31 this year, with payment scheduled for June 30, 1990.

Faircape's balance sheet for the 12 months to December 1988 reveals long-term liabilities of R4,06m against shareholders' funds of R5,59m.

Housing

info available

Sowetan
28/9/89
123

By MZIKAYISE EDOM

THE decision to buy a house is always a weighty one. And, making the most appropriate decision about which house to buy depends on the choice of houses available.

Generally, the information available is hopelessly inadequate, especially in black communities.

Information

The Housing Monitor has been formed as a company intended to fill this vacuum. It will also serve areas in the homelands and self-governing states.

The company offers information on the following:

- * Housing options available in various projects and their costs;
- * Finishes and fittings included in the above;
- * Services or infrastructure provided;
- * Additional client services like home loan applications, plan approvals, property registration and workmanship guarantees; and
- * an indication of future projects by developers and housing agencies.

The company can be contacted at P O Box 1719, Parklands 2121, or by telephone at (011) 880-1616/7.

Over 100 designs and finishes

By MZIKAYISE EDOM

TRI-TIME (Pty) Ltd - a joint venture between black and white entrepreneurs - has reported substantial growth in developing its housing project for blacks.

It has already sold more than 100 homes, despite the prevailing high mortgage rates.

The company plans to have about 200 homes completed in the PWV area by December this year.

Tri-Time is a member of the Dobsonville Builders Association and the Black Building Federation.

It has concentrated mainly on two- and three-bedroomed homes for the middle and upper income groups.

The houses are priced between R39000 and R64000, including land. Homeowners have more than 100 designs and at-

tractive finishes from which to choose.

Tri-Time was born from a merger of interests between Time Housing (Pty) Ltd and Time Holdings Ltd, a group of black building entrepreneurs.

"The black housing market is affected by all the economic ups and downs of the country, and this sector has the same needs and aspirations as any other," said Nel Khumalo, a director of Tri-Time.

"We are committed to providing good value-for-money homes."

He said the company offered an excellent personal service and tried to obtain the best possible packages for clients.

"Tri-Time will assist and guide owners through the entire process - from obtaining finance to getting plans approved and collecting all the relevant documentation from the town councils," said Khumalo.

The first venture un-

deraken by the company since its formation in 1987 was the development of a 50-home project to upgrade two entire blocks in Alexandra.

"By the end of the year our company will be active in housing projects in Dobsonville, Vosloorus, Alexandra, and Daveyton, Khumalo.

Sowetan 28/9/89



KWATHEMA

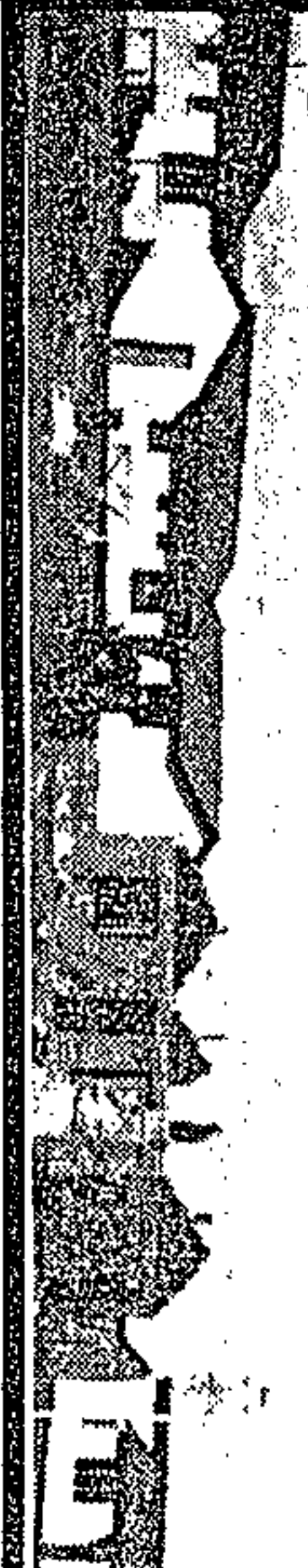
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1989 backlog will quadruple by 2000

How will houses for our millions be built?

123

The lack of shelter for the underprivileged is one of the most pressing problems facing South Africa today. Millions have become backyard and shack dwellers as urbanisation continues. In the urgency to come to grips with the problem, urban planners are proposing new and unexplored strategies. HELEN GRANGE reports.

Urbanisation



With urbanisation in South Africa growing by nearly 5 percent every year, the State and private sector are faced with the increasingly urgent need to find long term solutions to the low-cost housing crisis.

Reliable estimates of the housing shortage show that by the year 2000 there will be a shortage of 3 407 000 houses for people of all races.

Blacks alone will require 2 818 000. Last year, there was a backlog of 805 000 houses in the country.

In an effort to meet the enormous challenge of housing provision the State is re-examining its housing subsidisation policy and innovative financing formulae.

The question of long term continuous interest versus a one time capital subsidy is being considered as an alternative for low income families.

According to Mr Selwyn Myers, chairman of the Federation of SA Housing Associations and a director of Natal Building Society, the State's present policy that the individual, employer and private sector is responsible for the provision of housing has left the greater need for informal housing largely unattended.

Affordable

"If the housing policy is altered to allow for a capital subsidy of a serviced site, then access to shelter would be available to a considerably wider section of the underprivileged."

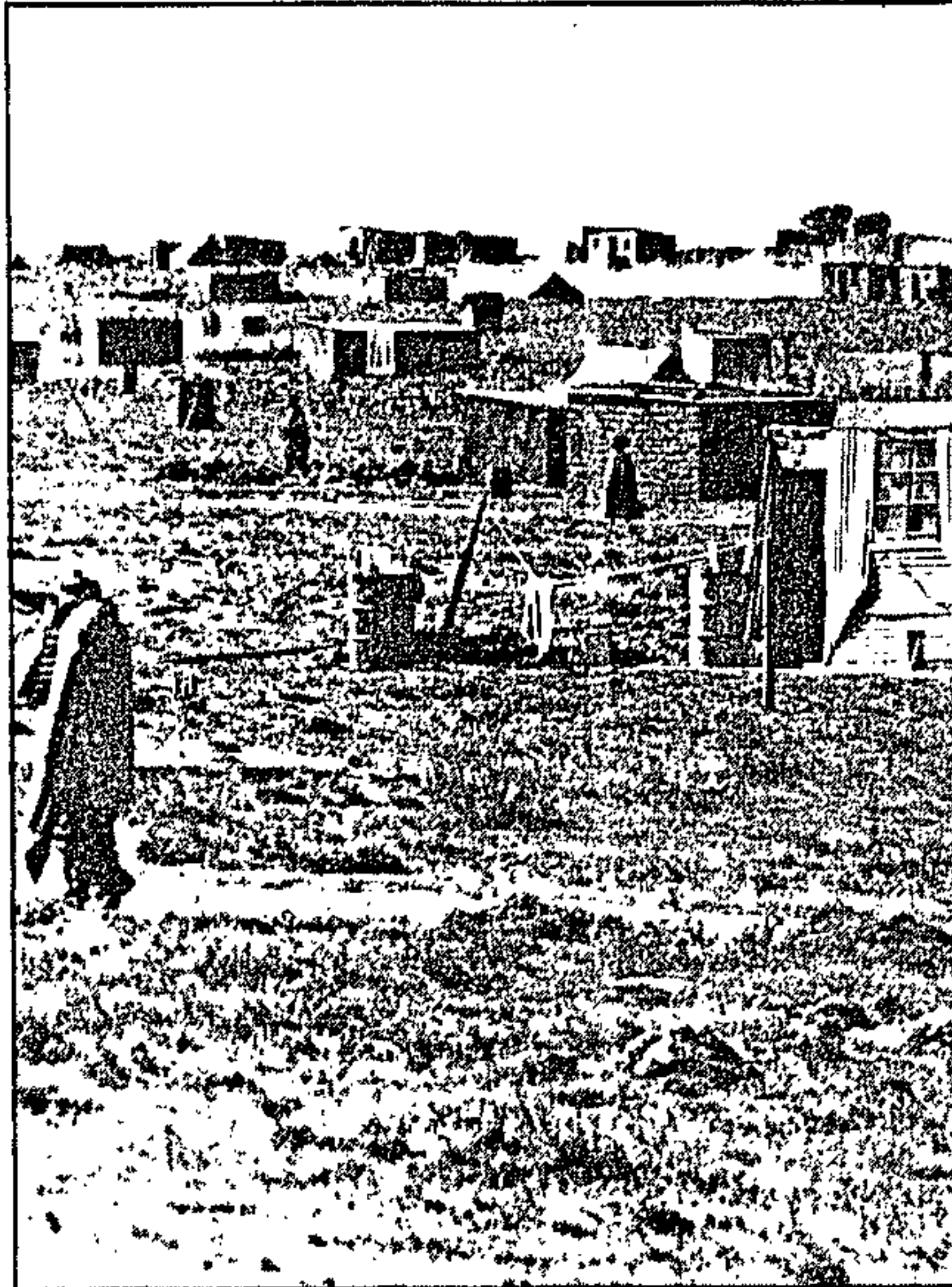
If the policy remained unaltered, only 5 percent of black families would be able to afford a conventional house, 31 percent could afford a starter or "core" house, 53 percent a serviced plot only and 11 percent could not afford housing in any form.

Given the scale of shelter needed and the limited funds, there was no doubt that appropriate affordable housing for the masses would have to be a serviced site on which to build a shack or core house, Mr Myers said.

The implementation of vast programmes of informal shelter at an effective rate necessitated a lowering of building and servicing standards, and a relaxation of "our sophisticated First World bureaucracy to cope with a Third World housing crisis".

Mr Myers added that another means of addressing the crisis was to form a "specialist all embracing housing agency".

This would mobilise resources of the public and private sectors so that development of low cost shelter could proceed on a co-or-



A house is not a home . . . desolate shacks like these are on the increase in tandem with rapid urbanisation. The solution may be to provide serviced sites for individuals to build "core" houses, slowly upgrading them.

inated, businesslike basis where maximum use was made of private consultants, builders, contractors and various sub-contractors.

Although many local authorities — provincial administrations, the SA Housing Trust, the Urban Foundation and various non-profit housing associations — were involved in informal housing, none of them operated on a mass scale.

Time and time again, the private sector had called for such an organisation, stating that it was clear that the most important key to this issue was the ability to co-ordinate and integrate the efforts of the public and private sector.

Mr Myers said such a housing agency would offer the community access to shelter options ranging from a basic serviced site to a completed house.

It would comprise individuals whose sole purpose was to improve social conditions, and would be perceived by the community as being a non-political organisation operating on grass roots level.

Being an "on-going body", the agency would be able to plan ahead and co-ordinate its development programme, thus minimising premature use of capital.

Another advantage would be the ability of an agency to negotiate on behalf of employees with their employers for assistance, and to implement and control housing projects on their behalf.

As a "private company" it would be free of red tape and bureaucratic procedures, and could establish its own financial, development and planning goals, taking into account the specific needs of the region it served.

Said Mr Myers: "The agency would have to provide a facility for granting and administering small building loans to individuals, as the the future housing effort will focus on basic self help and incremental housing.

"South Africa has the resources and the expertise. If housing agencies can co-ordinate these to expedite a solution to the housing crisis, should they not be given the chance?"

said, TPA officials had broken world records" with laying out townships and providing services to speed up the provision of housing.

townships, infrastructure, and educational and recreational services.

It was recommended that the

In terms of existing legislation, these shopping areas could be open to all races.

SA 'urgently needs national housing policy'

By Jacqueline Myburgh

South Africa is in desperate need of a national housing policy, Mr Keith Nurcombe of Toncoro — holding company for Corobrik — said yesterday.

He called on housing and building associations throughout South Africa, and the Ministers responsible for housing in all three Houses of Parliament, to combine their efforts to produce a national policy

and a clear action-plan to implement agreed strategies.

He said the housing backlog in SA was out of control, with the number of homes needed now exceeding 1,25 million.

"Efforts made so far by the South African Housing Trust with its involvement in projects valued at R865 million are a drop in the ocean," he said.

Estimates indicated that

3,7 million squatters existed in and around the major cities and towns, and by the year 2000 this figure could increase to 34 million.

Mr Nurcombe said 56,4 per cent of blacks in South Africa could not afford a housing loan, and it was therefore up to both the public and private sectors to co-operate in providing affordable housing for these people.

SAW 27/9/8

1231

Proclamation red tape a big obstacle

Bold joint venture to boost housing

By Norman Chandler,
Pretoria Bureau

A bold new plan to cut through the red tape which is strangling efforts to beat South Africa's housing crisis is being developed by the Transvaal Provincial Administration.

The Southern African Development Bank, the private sector, regional services councils and economic development boards are working with the TPA to put together an urban development support programme (UDSP).

Mr Andre Cornelissen, director-general of the TPA, told a black township development conference at Broederstroom yesterday that the UDSP was "equal to the best such programmes in the world".

More details on how it would operate would be released later, he said. The UDSP would cover every aspect of the provision of housing, from land to finance.

In some areas, Mr Cornelissen said, TPA officials had "broken world records" with laying out townships and providing services to speed up the provision of housing.

The meeting heard earlier from working groups which have been studying housing problems that there would by the year 2010 be 16 million people living in the PWV area.

Delays in developing land for housing would result in a massive bottleneck, so urgent action was necessary.

It was said that the proclamation of land for township use took "ages", and provision had to be made for the elimination of red tape.

The establishment of a "land bank" was also mooted. This would involve buying up tens of thousands of hectares at current prices and releasing it to developers as the need arises. At present, land in the PWV area costs R15 000 to R38 000 a hectare.

Key element

Provision of land was pinpointed as a key element in the findings of all working groups. They reported on land, finance, sources of income for black townships, infrastructure, and educational and recreational services.

It was recommended that the

Government — "preferably a Cabinet Minister" — be asked to make direct representations to mining houses for the release of land owned by them in the PWV.

Mining houses would also be approached to assist with the financing of schools and other facilities. A bid would be made to obtain tax relief for mines which offered such assistance.

The meeting heard that the provincial and State authorities were unable to pay for new schools or to buy the land required for educational purposes.

There were already moves to allow private-sector organisations to provide schools and hospitals "which could be taken over at a later date by the relevant authorities".

The meeting heard that people living in existing townships were not enthusiastic about moving to areas which did not have schools, shopping facilities, or medical services.

The possibility of designating township shopping areas as free trade areas was also urged.

In terms of existing legislation, these shopping areas could be open to all races.

SA 'urgently needs national housing policy'

By Jacqueline Myburgh

South Africa is in desperate need of a national housing policy, Mr Keith Nurcombe of Toncoro — holding company for Corobrik — said yesterday.

He called on housing and building associations throughout South Africa, and the Ministers responsible for housing in all three Houses of Parliament, to combine their efforts to produce a national policy

and a clear action-plan to implement agreed strategies.

He said the housing backlog in SA was out of control, with the number of homes needed now exceeding 1,25 million.

"Efforts made so far by the South African Housing Trust with its involvement in projects valued at R865 million are a drop in the ocean," he said.

Estimates indicated that

3,7 million squatters existed in and around the major cities and towns, and by the year 2000 this figure could increase to 34 million.

Mr Nurcombe said 56,4 per cent of blacks in South Africa could not afford a housing loan, and it was therefore up to both the public and private sectors to co-operate in providing affordable housing for these people.

and will in turn be linked to the council's central computer.

Saccola to announce talks decision soon

ALAN FINE

EMPLOYER federation Saccola is to inform Cosatu and Nactu in the next few days of whether it is prepared to resume negotiations on the Labour Relations Act.

- Saccola suspended its participation in the talks 10 days ago, citing the union call for a national overtime ban and consumer boycott in support of demands for changes to the Act as a breach of good-faith bargaining.

- Saccola chairman Bobby Godsell declined to outline the terms of the decision made at a high-powered meeting of leaders of the organisation's affiliates, saying he would not do so until the unions themselves had been informed.

The union federations have defended their call, saying employers left themselves open to such actions for as long as they did not renounce their rights to use "objectionable" clauses in the Act.

Hans Olivier said the PSA was bound to a policy of striving for market related salaries.

strong, particularly in the corporate sector. Imports showed little indication of declining and the rise in the money supply remained disturbingly high.

Some plans up, some down

EDWARD WEST

VALUES of plans passed for residential buildings reflect declining investment and confidence in the housing market, while values of plans passed for the non-residential sector show continued activity ahead.

However, the CSS warns that the value of non-residential plans passed can be pushed up by building projects involving large capex and are not an absolute indicator of activity in the construction industry.

According to the CSS, the value of plans passed for the residential sector during the first seven months of 1989 compared to the same months last year shows consistent decreases.

January showed a 2,5% decrease, February 3,5%, March 14%, May 5,4%, June 13,2% while July showed a 6,2% decrease. The only increase to be recorded was April, which showed a 1% increase when compared to the same month last year.

However, the value of non-residential plans passed for the seven months shows consistent and large

increases when compared to the same months last year.

January showed a 133% increase, February 129%, April 11,1%, May 55,2%, June 47,1% while July showed a 160,9% increase. Only March recorded a decrease, 10,6%, when compared to March 1988.

Building Industries Federation of SA economist Charles Martin said business confidence in housing construction had dropped substantially because high interest rates had dampened housing investment capacity.

Bou Pen MD Herc Botha said high land prices and the inability of state subsidies for first-time homeowner to counter the effects of high interest rates had damped demand in the residential housing market.

In line with the predicted downturn in the cyclical construction industry, Martin said there was much work in progress in the non-residential sector, but contractors were finding it difficult to refill order books.

Government policies 'still fail to meet housing crisis'

AT LEAST 14 government commissions and committees have investigated housing issues since 1970, yet the housing crisis continues unabated, says Robin Lee of Wits Centre for Policy Studies.

In a keynote address to the Affordable Housing Conference at Halfway House last week, Lee said the continuing crisis was a serious indictment of successive public sector housing policies and posed further challenges to policy change.

Government

Echoing the World Bank's slogan that no good projects can be developed in a bad policy environment, Lee said: "No single developmental project, however massive in scope and however technically sophisticated, has the power, initiative or funds to succeed in its project aims if the framework of law, regulation and custom in which it must operate is hostile to these aims."

Lee said government had begun to see the crisis could only be solved if the private sector started to play a dominant role in the housing of low-income households. Government's role should be one of facilitator to the private sec-

THEO RAWANA

tor and it should only become directly involved in housing the needy.

Lee said two key issues had still to be confronted: "Firstly, the rate and scale of the supply of housing has been nowhere near the order of magnitude of the requirement, and secondly, the housing that has been delivered has not been targeted at the poor, but rather at the upper-income sector."

Lee said land availability was an absolute constraint on housing production, but a relative constraint in producing homes for poor people.

Timely identification and setting aside of land for development was one of the key necessities for housing development in low-income communities.

"In SA at present that process is operating in a way that makes it one of the overall constraints."

Lee said that the racial zoning of land, the guide plan system and the deconcentration policy created an inflexible framework for the private sector's development activities.

The private sector was constrained by the present policy and the procedure of township development.



mathieson + ashley ho

(Registration No. 02/00093/)

AUDITED FINANCIAL RESULTS: YEAR E

The lightweight camera looks like a pair of compact binoculars. It is fully automa-

SMG results hit by loss at subsidiary

By Sven Lünsche

Property and construction group SM Goldstein (SMG) reported a net loss in the financial year to end-June, after substantial losses by its subsidiary Gough Cooper Homes.

SMG's earnings per share recorded a loss of 30,2c compared with 20,5c in the 1987/88 financial year, on a dramatic decline in turnover from R455 million to R266 million.

However, the recent change in control of the company to Group Five and the latter's strong performance allowed the group to declare a final dividend of 10c per share. (123)

As part of the agreement with Group Five, which was concluded in March this year and saw SMG's interest in the company rise from 38 to 45 percent, SMG sold its construction operations and sewerage and water treatment group Aqua-Gold to Group Five. This allowed SMG to reduce its borrowings from 135 to 47 percent of shareholder's funds.

However, Gough Cooper Homes' performance continues to be a major headache for SMG management.

In the year to end-June its earnings per share showed a loss of 101,7c, compared with the previous year's profit of 26,4c. Turnover dropped from R90 million to R75,7 million and the dividend was naturally passed.

Apart from losses on the discontinuation of operations in Namibia amounting to R1,63 million, the net loss of R11,14 million is largely ascribed to writing down land stocks in the black housing sector by R5,4 million.

The directors add that prolonged delays in transferring of ownership in a major township and delays in provision of infrastructural services in another, as well as higher interest rate, resulted in further losses being incurred in SMG's black housing market operations.

COMPANIES

Gough Cooper losses hit SM Goldstein

LARGE losses of R11,1m at Gough Cooper has dumped SM Goldstein into a net loss of R5,95m in the year to June.

However, the final Group Five dividend has made the declaration of a 10c dividend possible, which annualised is greater than any previously paid by Goldstein. Goldstein has a 45% interest in Group Five.

However, Gough Cooper has naturally passed its dividend.

The losses were expected as it was on the cards that Gough Cooper would make a clean sweep by writing down land stocks. Land trading stocks were written down by R5,4m "after careful assessment of prevailing market conditions, projected holding costs and the opinions of independent valuers", according to the preliminary report published today.

In addition, Gough Cooper incurred an extraordinary loss of R1,4m on discontinuing its Namibian operations. A further amount of R233 000 has been provided for future costs of the discontinuation.

However, Goldstein's sale of the construction operations with effect from January 1 1989 and Aqua-Gold (sewerage and water treatment) to Group Five have enabled Goldstein to reduce its borrowings from 135% to 47% of shareholders' funds.

Goldstein directors say that the

LIZ ROUSE

absorption of the Goldstein operations into the Group Five environment proceeded remarkably well and the profitability of the new Group Five is expected to improve in the next financial year. Order books are at satisfactory levels with good quality work.

The changes in the Goldstein group are reflected in a decline in turnover to R266,1m in the year to June from nearly R455m in 1988. The loss before tax was just over R12m, consisting of a R5,1m operating loss and R6,9m finance charges, (1988: R1,9m loss) but the bottom line was shored up to some extent by a R5,3m contribution from Group Five's profits.

Unstuck

Gough Cooper's sales were reduced to R75,4m from 1988's R90m. Its balance sheet looks shaky with short-term borrowings up sharply to R10,6m (1988: R3,6m) and interest charges increased to R3m (R1m) partly due to too large a land stock.

Gough Cooper came unstuck in the black housing market. The position changed from a lack of urban land to freely available land, a position

which is expected to improve even further over the medium term.

Directors say that the strategic value of holding land stock has thus been reduced, resulting in a surplus which has been written down to realistic values. In addition, prolonged delays in transferring ownership in a major township and delays in provision of infrastructural services in another resulted in considerable losses being incurred.

The market for black housing was severely affected by higher interest rates as a large number of prospective buyers cannot afford the high mortgage repayments.

Also, house construction was cut back over the period September to November to conserve cash and this had a negative impact on profits. Gough Cooper directors say the market for white housing is extremely depressed and the extension of the first-time buyers subsidy by the government to existing houses has dealt a further blow to this sector.

Overhead costs were not reduced soon enough in line with the reduction in sales but the staff complement has now been reduced to less than 50% it was a year ago.

Goldstein shares were quoted at 180c sellers with no bidders yesterday while Goughco shares were quoted at 80c sellers with no bidders.

EVERYBODY involved in the complex web of financial transactions backing the Urban Foundation's bold initiative to house hundreds of thousands of low-income earners will earn adequate returns, says NedPerm MD and chairman of the Mortgage Lenders' Association Bob Tucker.

There is a widespread perception that low-cost housing is risky, costly relative to the returns and expensive to administer. "The new initiative solves all these problems," says Tucker.

The Nedcor group, through the Perm, had the most experience in financing low-cost housing. "What we have learned is that risk is irrelevant to location, size of loan and skin colour."

The initiative is one of many aimed at attempting to solve the 1988 backlog of 800 000 homes for blacks and an unknown number for other low-income earners. A Business Marketing Intelligence report on the building industry (1987-1992) noted: "Despite the tremendous backlog in housing for blacks, only some 35 577 houses were built in SA in 1987."

It said "it is even more alarming to find that in SA, in terms of the percentage of the total investment of R498m, 40% was spent on upmarket housing and only 25% on low-cost housing."

Matthew Nell, MD of the Urban Foundation's residential development and construction division, concedes that the scheme is complex. "If there is any common denominator, it's cash flow."

Firstly, and most important, where will the R3bn cash come from?

The Reserve Bank, explains Tucker, has "correctly maintained capital adequacy standards of 5%, but allowed the creation of a special new instrument. Home loan institutions (see diagram) — for example, NedPerm — could issue R50m worth of convertible debentures into the market, at market-related interest rates.

"This would enable NedPerm to lend R1bn to new owners of low-cost houses. The cash will effectively be taken on deposit by us, as usual, and then on-lent."

Housing: private sector opens door for privatisation

B/Dav/6/10/89 123

BARRY SERGEANT

"The Reserve Bank regards the 5% as adequate, in keeping with international attempts to maintain adequate capital standards," says Tucker.

At the top end of the scheme is a Loan Guarantee Fund. Foreign governments and business enterprises are putting R20m into it. The R20m will be used to reinsure South African short-term insurers who insure the new class of homeowners.

"Perhaps the best way to understand what happens," says Nell, "is the property is transferred into the buyer's name."

In the example given in the diagram, of a property valued at R25 000, the homeowner needs to put

down a cash deposit of only R1 250 (5%).

If this is all the cash he has, he will then pay two premiums to a short-term insurer.

- R280 for deposit replacement cover, and;
- R375 for risk-reduction cover.

The amounts can be capitalised into the loan, so he need not pay in cash. "If he has paid these two premiums," says Tucker, "the financial institutions' risk is reduced to 60%. This is crucial, as it is far below the normal 80%-90%."

On the date of registration, the vendor (for example a property developer), is paid R25 000 in cash — R1 250 provided by the new homeowner and the balance by the financial institution. The homeowner's principal debt mortgage bond would then be R25 000, plus the insurance premiums, plus other possible expenses such as a life policy to cover the possibility of his death.

"The Loan Guarantee Fund," says Tucker, "should be seen as a catalyst. The range of support is wide. Three governments have put money into the fund, although most of the money comes from South African business."

"It must be stressed that throughout the scheme, all rates paid will be market-related. The financial institutions involved, and the short-term insurers, all have shareholders to answer to, and shareholders expect profits."

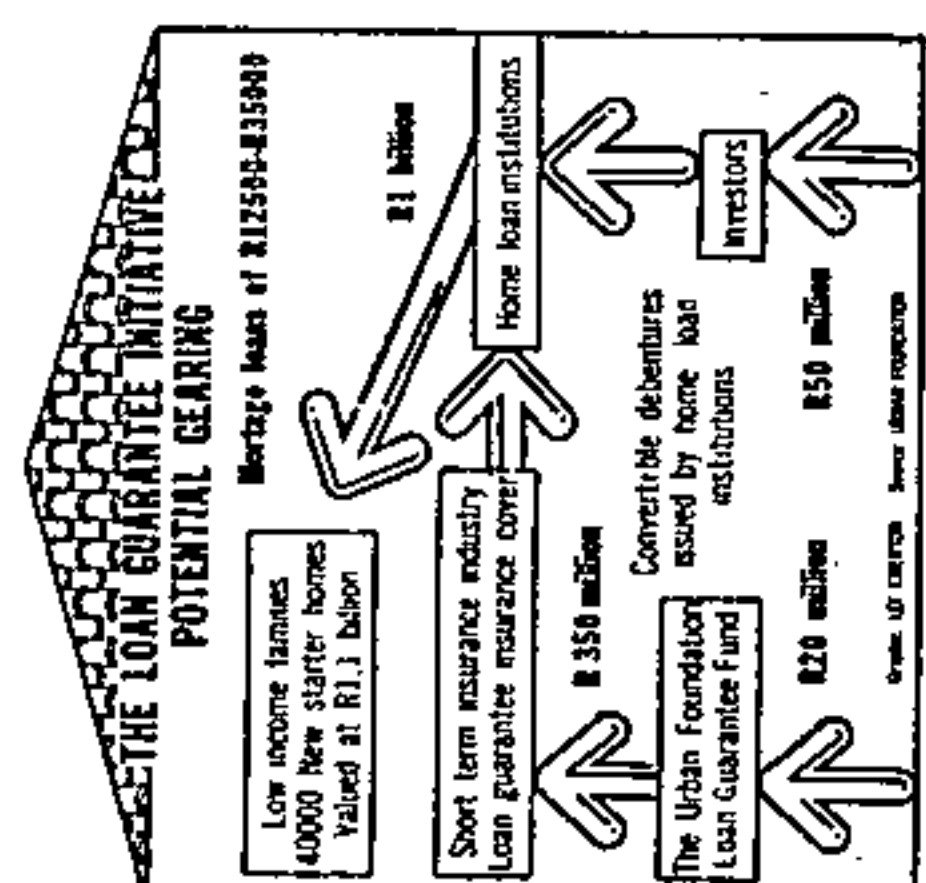
The Reserve Bank has agreed that the R50m convertible debentures will be classified as debenture capital. For tax reasons, the instruments are classified as debt. "This means the debentures are more tax-efficient than equity, because dividends have to be paid after tax," says Tucker. The convertible debentures will eventually be converted to preferential shares.

Nell says one of the more crucial aspects of the scheme is that most, if not all, new homeowners will qualify for the government's first-time home-owner's subsidy. "This means that in the example given, the monthly repayments will be much lower than would otherwise have been the case. The reduction is by roughly one third."

EXAMPLES OF LOAN GUARANTEE COVER:

PROPERTY VALUED AT R25000

R1250	5%	Deposit by borrower
R3750	15%	Loan guarantee scheme: Deposit replacement cover
R5000	20%	Loan guarantee scheme: Risk reduction cover
R15000	60%	Bank and building society risk



"The effect of the scheme is that 40 000 heads of household who did not previously qualify will now qualify for the subsidy."

In this year's Budget, government allocated R183m (1988-1989: R252m) for housing aid.

A separate amount of R280m (R231m) was voted for urban development and housing aid to blacks, which included an amount of R220m for addition to the capital of the National Housing Fund. And Simon Brand, chairman of the SA Housing Trust (SAHT), said in the annual report this week that the value of projects approved by the board almost doubled from R441m in February 1988 to R865m at June 30.

"These approvals are expected to result in the construction of 49 000 houses and the servicing of 38 000 stands. Since inception, a total number of 9 200 houses was constructed and 19 350 stands serviced through SAHT involvement."

The implications of the various initiatives in housing are immense. The construction industry, which has shown negative annual growth for the past decade, can look forward to better times. The economic multipliers affect dozens of areas: employment, transport, manufacturing, provision of bulk services...

John Kruger, group manager, urban, of the Development Bank of SA (DBSA), comments: "The importance of the Urban Foundation's private sector initiative is that it allows a number of bodies — government, quasi-state and parastatals, such as the SA Housing Trust, provinces, Regional Services Councils and DBSA — to play their correct roles. This, we believe, is to enable the private sector to promote this type of initiative."

"It allows for the re-allocation of existing government resources from roles which can be performed by the private sector, and allows government to concentrate on its correct role, such as the provision of proper planning and bulk services."

"The implication is that it accelerates the entire urban development process. The Urban Foundation's initiative offers a glimmer of hope in solving SA's housing crisis."

Nell adds: "This is privatisation initiated by the private sector. Perhaps the most important aspect of this initiative is that it is economic."

R3bn housing

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6/10/89

plan: Steyn speaks

123

LONDON. — Every effort would be made to ensure that "grey" and "open" areas were included with black townships in the Urban Foundation's R3-billion housing project for low-income black families, chairman Mr Jan Steyn said here yesterday.

The project, with funding from Britain, West Germany and Switzerland but backed mostly by the SA private sector, will begin in March.

Addressing a press conference at which the project was announced, Mr Steyn said the foundation was "deeply committed" to securing the abolition of the Group Areas Act, as well as the Land Act of 1913.

Racial constraints in these statutes were incompatible with the need to make land available, and the Group Areas Act was already crumbling in SA cities.

"We will continue unremit-

'Grey' and 'open' areas also targets

tingly to ensure this legislation is abolished," he said.

He warned, however, that "the millennium we all hope for will not come overnight".

Mr Steyn described the foundation's new housing project as "an orderly redistribution of resources from the First World to the Third World".

The project was not a solution but it was significant progress towards bringing "shelter compatible with human dignity" within the means of hundreds of thousands of people.

One of the major beneficial spin-offs of the first phase of the

project, involving 40 000 houses, would be the substantial creation of new jobs and the development of associated building skills for many thousands.

The already emerging "black contractor" class in the construction industry would be further stimulated.

From a development point of view, this was one of the most attractive by-products of the project and active efforts would be made to promote this during the project's implementation.

Mr Steyn said that to meet the housing needs, there would have to be a "scaling down" of existing standards and requirements, and a process of negotiating with the authorities on this was continuing.

Vast amounts of finance were being buried underground in expensive infra-structure which was unrealistic in terms of bringing low-cost housing within reach of those who needed it most. — Sapa

Urban Foundation's plan for black housing shortage

ARGUS 6/10/89 (123)

From MICHAEL CHESTER
in Johannesburg

THE Urban Foundations sees the R1 billion new masterplan aimed at tackling the critical black housing shortage, that it announced yesterday, as the first phase in efforts to clear a backlog that already stands at 800 000 homes and which threatens to grow to 2-million homes in the next 20 years.

HOUSES

Its first objective is to remove a basic stumbling block that has thwarted progress for decades: the lack of adequate private sector finance.

Financial institutions, according to Mr Matthew Nell, managing director of the residential development and construction division, have so far been reluctant to invest in home loans to low-income families because of the lack of profitability — and perceptions of high risks in the small loan business.

It has left the vast majority of black families out in the cold, since it is estimated that only one in 10 of them can afford what has been the normal minimum home loan of around R35 000 or even higher.

The result of the new initiative, which creates guarantees on loans via insurance cover, is that home loan institutions such as banks and building societies will now be able to reduce the floor level of loans to as low as R12 500.

The package has been put together by the Urban Foundation in association with the Mortgage Lenders Association and the short-term insurance industry in negotiations that have been going on behind the scenes for months.

Urban Foundation president Mr Jan Steyn believes it is a highly significant step towards swinging open to tens of thousands of black families

their first chance of buying a home of their own — at costs within reach.

"It is a breakthrough with implications that should have a dramatic effect on an area of South African life that has been a cause of enormous concern," he says.

He estimates that the new scheme will allow no less than 30 percent of black families to lay out home-buying plans for the first time.

The crux of the scheme is laying out a system of guarantees on home loans via arrangements for insurance cover. As an example, the minimum insurance premium to be charged on a dwelling and stand valued at R25 000 — seen as a likely average — is put at about R375. That would be a once-off five-year premium.

Should purchasers not be able to pay for the required 20 percent deposit, they will be able to obtain a second insurance policy as collateral — and cut the deposit down to only five percent.

On a R25 000 package, that would mean a once-off premium payment for as little as R280. And even that can be included in the loan amount if it best suits the particular home buyer.

The cost of the premiums, inevitably, will depend on the record of borrowers.

It may not turn out to be a problem, however, despite past suspicions of banks and

building societies about the risk of small loans to low-income families.

Mr Bob Tucker, president of the Mortgage Lenders Association, deflates a few superior egos by relating his own long experiences with home-loan borrowers.

He makes the point: "There are lots and lots of home-loan customers from Soweto, living in modest homes within their income brackets, who have far better payment records than many a family living in R300 000 houses in Houghton that are really beyond the reach of their actual incomes."

Sponsors

Overseas: The governments of Britain, Switzerland, West Germany and the Hans Seidel Foundation.

International business: BP South Africa, Caltex Oil SA, Toyota SA Charitable Trust and the Japan-SA Fund.

SA business: Anglo American Corporation, De Beers, E Oppenheimer and Son, Anglovaal, Barlow Rand, First National Bank, Gencor, Liberty Life, Nedcor, Rembrandt, Sanlam, Southern Life, Standard Bank, Tongaat-Hulett and the United Building Society.

Home loan groups: The Allied Group, Eastern Province Building Society, First National Bank, Natal Building Society, Santambank, Standard Bank, UBS and Volkskas Bank.

NEED FOR HOMES BY BLACK FAMILIES

(1989 - 2010)

Current backlog (1988)	- 800 000 homes
Projected new family formation 1988 - 2010	- 2 000 000 homes
Annual demand 1988 - 2010	- 127 000 homes
Current estimated supply 1987/88	- 45 000 homes



BUSINESS

R13 000 or R300 000 home. Lenders can risk it

AN innovative new housing finance scheme will bring tens of thousands of low-income black people into the housing market by mobilising more than R1-billion in home loans.

The scheme, announced yesterday by the Urban Foundation and the Mortgage Lenders' Association, involves the major banks and building societies, most of the large short-term insurance companies, local and multinational corporations and the British, German and Swiss governments.

It will provide home loans for houses priced in the R12 500 to R35 000 range, dramatically increasing the number of black South Africans who can afford to buy a house.

The problem has been that banks and most building societies have generally refused to grant home loans of less than R35 000, because these smaller loans are relatively unprofitable and are perceived as high risk. As a result, most property developers have not been willing to build houses in the below-R35 000 range, because buyers have not been able to raise finance for them.

The Urban Foundation estimates only 10 percent of urban black South Africans can afford conventional houses costing R35 000 or more — so the vast majority of the homeless have not been able to borrow from conventional private sector institutions.

The new initiative should increase the proportion who have access to private sector home loans to 43 percent. The UF estimates 127 000 homes a year will be needed by the year 2010. In 1987/88, only 45 000 homes were provided for black families.

The initiative comprises two main components: a Loan Guarantee Fund and a new financial instrument which will ensure banks and building societies grant home loans in the R12 500 to R35 000 range.

The risk in financing home loans is the same whether the house is in Houghton or Protea North — it's low-cost housing that has not seemed worth the risk for the private sector. Now a new housing finance scheme will change that. By HILARY JOFFE

It is non-racial, although the vast majority of those who will need the loans are black.

Usually building societies or banks carry 80 to 90 percent of the risk on a home loan, since a borrower has to put down a deposit of only 10 or 20 percent of the price of the house. The new loan guarantee scheme will reduce the risk carried by the building societies and banks to only 60 percent.

Instead of having to pay deposits of 20 percent, home-owners will be able to put down as little as five percent, plus a one-off insurance premium, which can be capitalised to become part of the total home loan. On a R25 000 housing package, this premium would be about R280.

In turn insurance companies — such as Southern Life, Liberty Life or Sanlam — would insure the building society or bank for up to 35 percent of the price of the house. The society or bank would then be covered if a borrower defaulted on his bond repayments and the institution foreclosed and had to sell the house (a "sale in execution") at a loss.

Under the new scheme, the insurance companies would be reinsured by the Loan Guarantee Fund, a company to be set up by the Urban Foundation with capital of R20-million. About R8-million of this has come from foreign sources — from the British and Swiss governments, the German government via the Hans-Seidel Stiftung and the Japan South

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Projected new family formation 1988 - 2010	- 2 000 000 homes
Annual demand 1988 - 2010	- 127 000 homes
Current estimated supply 1987/88	- 45 000 homes

Supply of housing is falling way behind the massive need

Africa Fund. The rest of the money has been the only building society willing to lend at levels below R30 000 — showed only two criteria were relevant in assessing risk on home loans. One was the size of the home loan relative to purchase price of the house; the other was the monthly bond repayments as a proportion of the borrower's salary.

He said home loans in Houghton could be as risky for financial institutions as home loans in Soweto — risk was not related to race or house prices.

The banks and building societies also have the problem that smaller loans are relatively unprofitable, since the administrative and legal costs of issuing a bond are the same regardless of its size.

Legally, the banks and building societies are constrained by capital adequacy requirements: banks have to maintain a certain ratio of capital to assets, building societies a ratio of capital to liabilities. Given the limits, they choose the more profitable, size-able home loans of R35 000 upwards over the less profitable smaller loans.

But the initiators of the scheme announced yesterday "should be seen as a further and very significant step in greatly increasing access for poorer people to low-cost formal housing".

But he said the UF was working hard for a breakthrough in providing access to shelter for those who could not afford a R12 500 home. "The key objective would be to facilitate access to serviced land and finance for those living in shack areas and informal settlements in South Africa," Steyn said.

"To this end, state subsidisation would have to be redirected towards the very poor, making it possible for them to buy and build a shack."

announced this week have negotiated with the Reserve Bank for a new class of capital to be issued applicable specifically to home loans in the R12 500 to R35 000 range.

This will help the financial institutions meet their capital adequacy requirements and so expand their home loan books. But the money released through the introduction of this new financial instrument will be set aside for the smaller loans. Thus low-income borrowers will not be competing with high income ones.

Once the new scheme comes into operation — expected to be in the first quarter of 1990 — the banks and building societies which are participating will raise R50-million in primary capital, which will give them the capacity to lend R1-billion. The short term insurers involved will be able to cover 35 percent of this total, backed up by the reinsurance provided by the Loan Guarantee Fund.

The aim is to provide finance for an initial 40 000 new homes, assisting an estimated 250 000 people into homes of their own, the UF said.

The banks and building societies have committed a further R2-billion to smaller home loans — although the Loan Guarantee Fund is not large enough at present to provide insurance at that level.

The key limit will, however, be the building industry. Once houses are affordable for a whole new class of home buyers, the property developers will find themselves racing to keep up with the demands of this market. Said Matthew Neil, managing director of the UF's Residential Development Division: "The rate at which these funds can be absorbed will depend on how fast the private home building industry can develop the capacity to provide these lower cost more affordable homes."

Neil said the key issue was the availability of suitably serviced land.

Housing schemes: No place for the very poor

THE Urban Foundation's new housing finance scheme will only raise from 10 percent to 43 percent the proportion of the urban black population which can afford conventionally financed houses while providing for those who can afford less expensive "starter homes".

But the scheme does not address the needs of those who cannot afford even a R12 500 house. The UF divides these people into those who cannot pay anything at all towards housing (about 19 percent of urban blacks), and those who could afford "incremental homes" (38 percent) — for example, buying a serviced site and building a shack.

chairman Jan Steyn said the new initiative announced yesterday "should be seen as a further and very significant step in greatly increasing access for poorer people to low-cost formal housing".

But he said the UF was working hard for a breakthrough in providing access to shelter for those who could not afford a R12 500 home. "The key objective would be to facilitate access to serviced land and finance for those living in shack areas and informal settlements in South Africa," Steyn said.

"To this end, state subsidisation would have to be redirected towards the very poor, making it possible for them to buy and build a shack."

and provide themselves with permanent homes, even if on an incremental basis."

The UF sees the initiative announced this week as the first phase in a longer-term strategy to widen home ownership.

Says executive director Sam van Colfer: "There are three more phases to the strategy: the UF plans to lobby for the government to provide a capital subsidy to cover the cost of land; it is piloting a project aimed at supplying very small loans, through stokvels and savings clubs rather than through conventional financial institutions; and it is investigating the possibility of channelling funds, held by pension and provident funds, to the poor, making it possible for them to buy and build a shack."

AP 16/5 6/10/87

Big housing plan a coup, says Harry O

LONDON. — The Urban Foundation's announcement in Johannesburg and London of a R3-billion internationally backed project to provide housing for low-income black families was "something of a coup", the foundation's president, Mr Harry Oppenheimer, said yesterday.

The project itself and, more generally, the provision of housing for hundreds of thousands of low-income black families was "something very close to my heart", he said shortly before the foundation's chairman, Mr Jan Steyn, held a press conference here.

— Sapa

● Full report — Page 3

'Housing no substitute for rights'

The Argus Correspondent

JOHANNESBURG. — British ambassador to South Africa Sir Robin Renwick says new schemes to encourage black advancement in housing and education are no substitute for access to full political rights.

Speaking at the launch of the Urban Foundation's R1-billion scheme to tackle the acute black housing shortage, Sir Robin announced yesterday that British government spending next year on projects to help black South Africans in all spheres would reach R50-million.

OBJECTION

The Southern Africa Coalition, a group of 80 organisations campaigning for comprehensive mandatory sanctions against South Africa, yesterday objected to Britain's R2-million contribution to the housing project on the grounds that the homes would have to be built in areas designated black under the Group Areas Act.

Sir Robin said that Britain — along with West Germany and Switzerland — had only agreed to contribute towards a R20-million loan guarantee fund at the heart of the scheme on condition that South Africa's private business sector committed the bulk of the finance.

And, he said, the British government did not believe that the provision of housing and education could be any kind of substitute for political rights.

●See page 15



'Make money conditional':

By Michael Chester

There were sharp attacks on the Group Areas Act at the launch of the Urban Foundation's new black housing drive.

Dr Nthato Motlana, chairman of the Soweto Civic Association, said: "There is no way black people will be happy if the millions of rands pouring into South Africa help to reinforce the status quo."

Referring to the backing from the British, West German and Swiss governments and several Japanese private companies, he added: "I would love to see supporters of the money make it a condition that unless the scheme insists on non-observance of the Group Areas Act, the money

may be unacceptable."

Mr Bob Tucker, president of the Mortgage Lenders' Association, said any inhibitions to free-market operations were a frustration to financial institutions ready to discuss home loans...

But because of the independence of each institution, it was virtually impossible for the association to take a position on the Group Areas Act -- other than to stress that any inhibitions to freedom in the market were undesirable.

Mr Matthew Nell, managing director of the residential division of the Urban Foundation, emphasised that the foundation was committed to the removal of the Group Areas Act.

New mass housing package

By Michael Chester

The Urban Foundation sees the R1 billion new masterplan aimed at tackling the critical black housing shortage as the first phase in efforts to clear a backlog that already stands at 800 000 homes and which threatens to grow to 2 million homes in the next 20 years.

FINANCE

The first objective is to remove a basic stumbling block that has thwarted progress for decades: the lack of adequate private-sector finance.

The result of the new initiative, which creates guarantees on loans via insurance cover, is

that home loan institutions such as banks and building societies will now be able to reduce the floor level of loans to as low as R12 500 (previously it was about R35 000).

The package has been put together by the Urban Foundation in association with the Mortgage Lenders' Association and the short-term insurance industry in negotiations that have been going on behind the scenes for months.

Urban Foundation president Mr Jan Steyn estimates that the new scheme will allow no less than 30 percent of black families to consider home-buying plans for the first time.

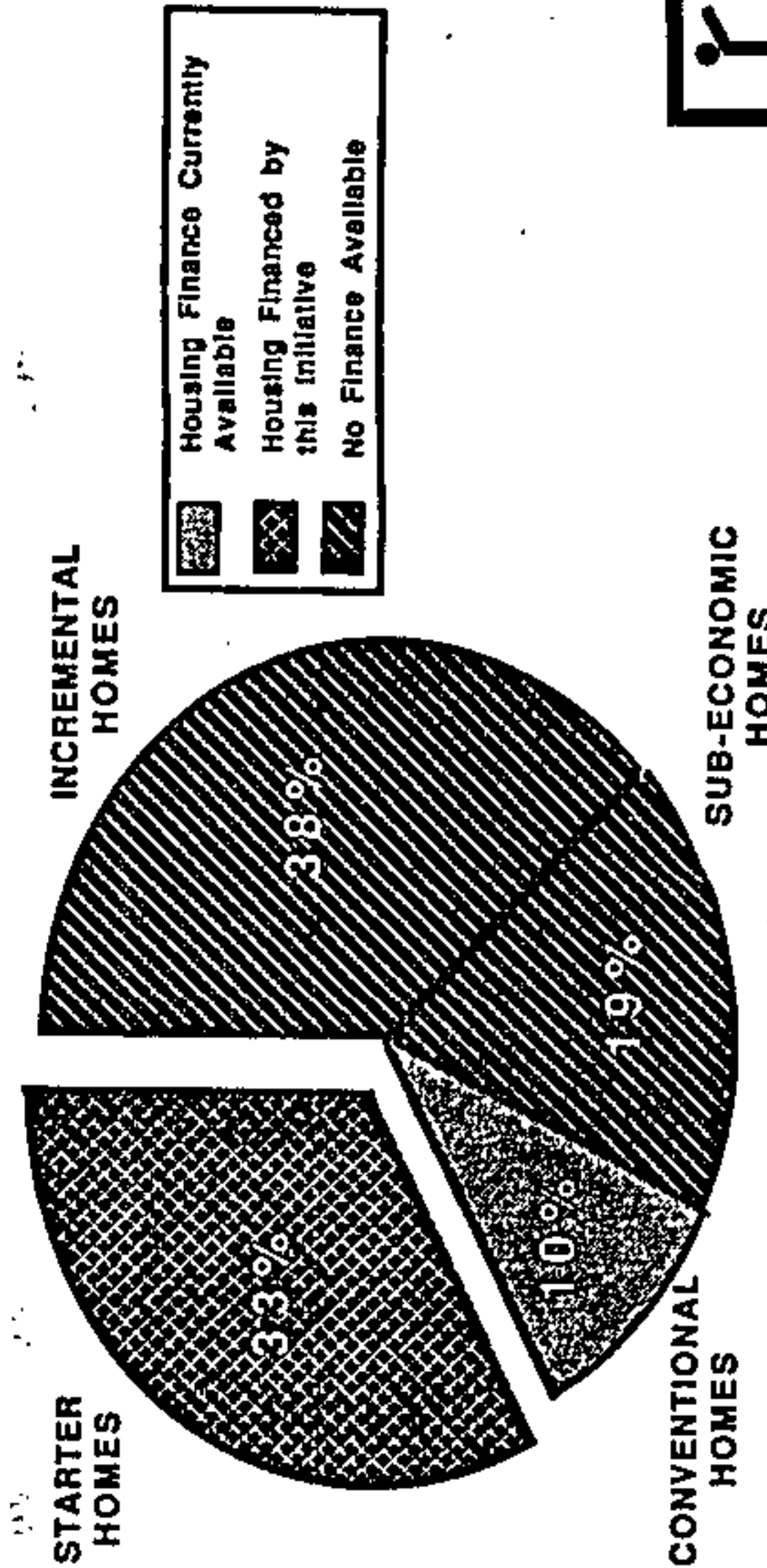
NEED FOR HOMES BY BLACK FAMILIES

(1989 - 2010)

Current backlog (1988)	- 800 000 homes
Projected new family formation 1988 - 2010	- 2 000 000 homes
Annual demand 1988 - 2010	- 127 000 homes
Current estimated supply 1987/88	- 45 000 homes



ANNUAL DEMAND FOR HOMES BY BLACK FAMILIES (1989-2010)



UK to spend R50-million on black advancement

By Michael Chester

New schemes to encourage black advancement in housing and education were no substitute for black access to full political rights, British Ambassador to South Africa Sir Robin Renwick said in Johannesburg yesterday.

He announced that British government spending next year on schemes to help black South Africans in all spheres could reach R50 million.

He applauded the Urban Foundation initiative to launch its R1 billion programme to tackle the massive black housing shortage.

He also revealed that Britain had agreed to contribute towards a R20 million loan guarantee fund at the heart of the initiative — along with West Germany and Switzerland — with the proviso that South Africa's private business sector committed the bulk of funds to finance the operation.

"In our view," he stressed at the launch of the scheme, "it is for white South Africans to take the lead in helping to change the circumstances and create new opportunities for black South Africans."

"Our experience is that black South Africans want better housing, better education — and full political rights. Anyone genuinely concerned about the situation should be trying to help people attain all three."

Sir Robin said Britain was already supporting efforts to solve the problem of informal settlements by its involve-

ment in the Innova scheme in Natal and pilot projects in the Western Cape. And Britain would be looking further at ways of assisting the large number of black families who could not afford access to formal housing.

The main British effort in South Africa would continue to be devoted to education. A dramatic expansion of its programme would include:

- By next year Britain would be providing 1 000 scholarships for black students at universities and institutes of higher education in Britain and South Africa.

- Scholarships were now being funded for black students at all the liberal universities — Cape Town, Wits, Rhodes and Natal.

- Britain planned to double the number of awards open to candidates in the leadership programme it had established to honour Mrs Helen Suzman.

- A new British Council Resources Centre — an education centre with study facilities for 100 black students at any one moment — was due to be opened in Johannesburg on October 25.

- Britain would continue to try to overcome the effects of the Bantu education system through its support of the new, privately funded Promat colleges which had been launched in Mamelodi, Natal and kaNgwane.

- Britain also intended to assist in the creation of the first independent teacher training college to be approved since such colleges were closed down by apartheid laws in 1953.

Sponsorship for scheme

The list of sponsors — expected still to grow — that have so far confirmed support of the Urban Foundation loan guarantee fund are:

OVERSEAS

The governments of Britain, Switzerland and West Germany, plus the Hans Seidel Foundation.

INTERNATIONAL BUSINESS

BP South Africa, Caltex Oil SA, Toyota SA Charitable Trust and the Japan-SA Fund.

SA BUSINESS

Anglo American Corporation, De Beers, E-Op-penheimer and Son, Anglovaal, Barlow Rand, First National Bank, Gencor, Liberty Life, Nedcor, Rembrandt, Sanelam, Southern Life, Standard Bank, Tongaat-Hulett and the United Building Society.

The home loan institutions taking part in the scheme are: the Allied Group, Eastern Province Building Society, First National Bank, Natal Building Society, Santam-bank, Standard Bank, UBS and Volkskas Bank.

Fund for 40 000 low-cost homes B/Daw 6/10/89

Private sector unlocks R3bn for housing

123



IN THE first R1bn tranche of a R3bn mobilisation of local capital for low-cost housing, 40 000 heads of households will get new homes and access to tens of millions of rands of government mortgage bond subsidies.

This will help cut the current 800 000 unit black housing backlog.

With seed money from three foreign governments — Britain, West Germany and Switzerland — the Urban Foundation (UF) has announced a revolutionary Loan Guarantee Fund. An initial R20m will be injected into the fund by Western governments, international companies and SA corporations.

The British and German governments have put up about R2m each, and the Swiss about R4m.

The low-cost housing package meant a new homeowner would have to put down only 5% cash of the purchase price.

The announcements in London and Johannesburg yesterday unlocked a potential R3bn from financial institutions for low-cost housing mortgage bonds.

About R1bn worth of new mortgage

THE net inflow of foreign money to the Urban Foundation (UF) housing initiative could be zero. The UF confirmed the R1bn-R3bn to be unlocked from financial institutions for low-cost housing bonds would all be raised in SA.

Asked if the R8m in foreign funding underpinning the project would be made via the finrand, the UF said the issue was still unresolved. The money is to be invested as interest-free loans qualifying foreign states for entry via the finrand. If invested this way, the effect would be no fresh injection of foreign capital.

BARRY SERGEANT
and ADELE BALETA

bonds were expected to be placed in the next few years, financing 40 000 new homes, and housing 250 000 people. Financial institutions have committed themselves to investing a further R2bn if the fund proved viable.

In London yesterday, UF president Harry Oppenheimer said the initiative had been developed jointly with the Mortgage Lenders Association and the short-term insurance industry.

● Report: Page 10
● Comment: Page 10

And in Johannesburg yesterday, Mortgage Lenders Association president Bob Tucker said the effect of the fund would be that financial institutions' risks on bonds could be reduced to as little as 60%.

He said there was a perception low-cost housing bonds were expensive to administer and high risk. The new initiative would substantially reduce risks from the normal 80%-90% seen in conventional housing.

The UF's Matthew Nell said besides a prospective homeowner needing to put down as little as 5% of the purchase price in cash, insurance premiums, reinsured by the fund, could be capitalised so that there was no further initial outlay of cash.

There was a further benefit in that it was likely the homeowner would qualify for the first-time homeowner's government subsidy. Nell said the formula was complex, but on average, the reduction in the monthly repayment was about a third.

Nafcoc president Sam Motsuenyane said

□ To Page 2

Housing B/Daw 6/10/89

123



□ From Page 1

at the Johannesburg launch government needed to focus its housing subsidies on providing the poor with an opportunity to gain access to serviced land.

He said finance should be made available on condition of the non-reinforcement of the Group Areas Act.

British Ambassador Sir Robin Renwick said the response by the SA sector in the past nine months of negotiations on the initiative was impressive.

He added Britain did not regard the provision of housing and education as a substitution for full political rights.

A US embassy official said the government was aware of the initiative and the "matter was under review".

Nell said the UF remained committed to

the removal of the GAA.

A Caltex Oil SA spokesman said the company was contributing R500 000 interest free to the fund during the first quarter of next year. Caltex had committed these funds because of its view that low-cost housing was one of the most important priorities as far as the needs of the black communities were concerned.

BP SA declined to comment.

Toyota SA Charitable Fund trustee Elizabeth Bradley said R400 000 had been pledged as part of the Japanese contribution towards the "upliftment of black people in SA".

Anglo American Corporation/De Beers refused to disclose their financial contribution.

What a boom for the builders



NEIL FRASER: Informal sector will benefit.

A TREMENDOUS breakthrough. That was the reaction from all sectors of building and ancillary industries over this week's announcement of a multi-billion rand masterplan for black housing.

And it's welcome news for the depressed building industry but a major worry is whether or not builders can cope with the surge in activity which must now come.

In the initial phase of the programme, announced by the Urban Foundation which involves financial assistance from Britain, West Germany and Switzerland, more than R1 billion is to be poured into "starter homes" for blacks.

Through a unique R20 million loan guarantee scheme, it enables local banks and building societies to extend home mortgage finance worth more than R1 billion, to an area of black housing which has been neglected.

Mr Neil Fraser, executive director of the Building Industries Federation (Bifsa), says: "There is little doubt that the greatest spin-off will be in the informal sector."

"While the major sector of the industry can be expected to get the largest chunk of the business, the informal builders will undoubtedly be the ones to feel the greatest benefits."

While the masterplan clears the way for many more black families to secure homes for as low as R12 500, the question arises: What can be built as a home in today's high-cost market place?

Builders believe such a "start-

FRANK JEANS

er home" will be the basic of the core-house type.

"Not only is this great news for the building industry but it is good for the country as a whole," says Mr Fraser.

"The big plan must also provide more and more employment and the supply industries and manufacturers will all feel the benefit in the long-term."

There is unlikely to be any supply problems from the materials side to meet the increasing demand.

Mr Graham Hardy, chief executive of the cement division of Blue Circle Cement, says: "I believe we will have no problems from a cement point of view, for at present the industry, generally, is working well below capacity."

"The current output of cement is about 8 million tons a year and I have no doubt we could cope with an additional 25 percent demand."

Brick supplies

Mr Errol Rutherford, president of the Clay Brick Association, says: "The clay brick industry is running at only 70 percent of its capacity. Stocks currently exceed 360 million bricks and therefore the industry is well positioned to supply from stock and to gear up spare capacity."

"The association has devised some innovative concepts for

using clay brick for walling in low-cost housing. An application is now with the authorities for these concepts to be used in the provision of affordable housing."

The building societies are equally enthusiastic about the big housing plan.

Mr Brian Short, general manager, public affairs of the Natal Building Society, says: "As one of the financial institutions involved in this initiative, we welcome the announcement as it fills a gap in the home loans market which allows the lower end of the market to become involved in homeownership."

"At the same time, there is also a limiting of the risk for the financial institutions."

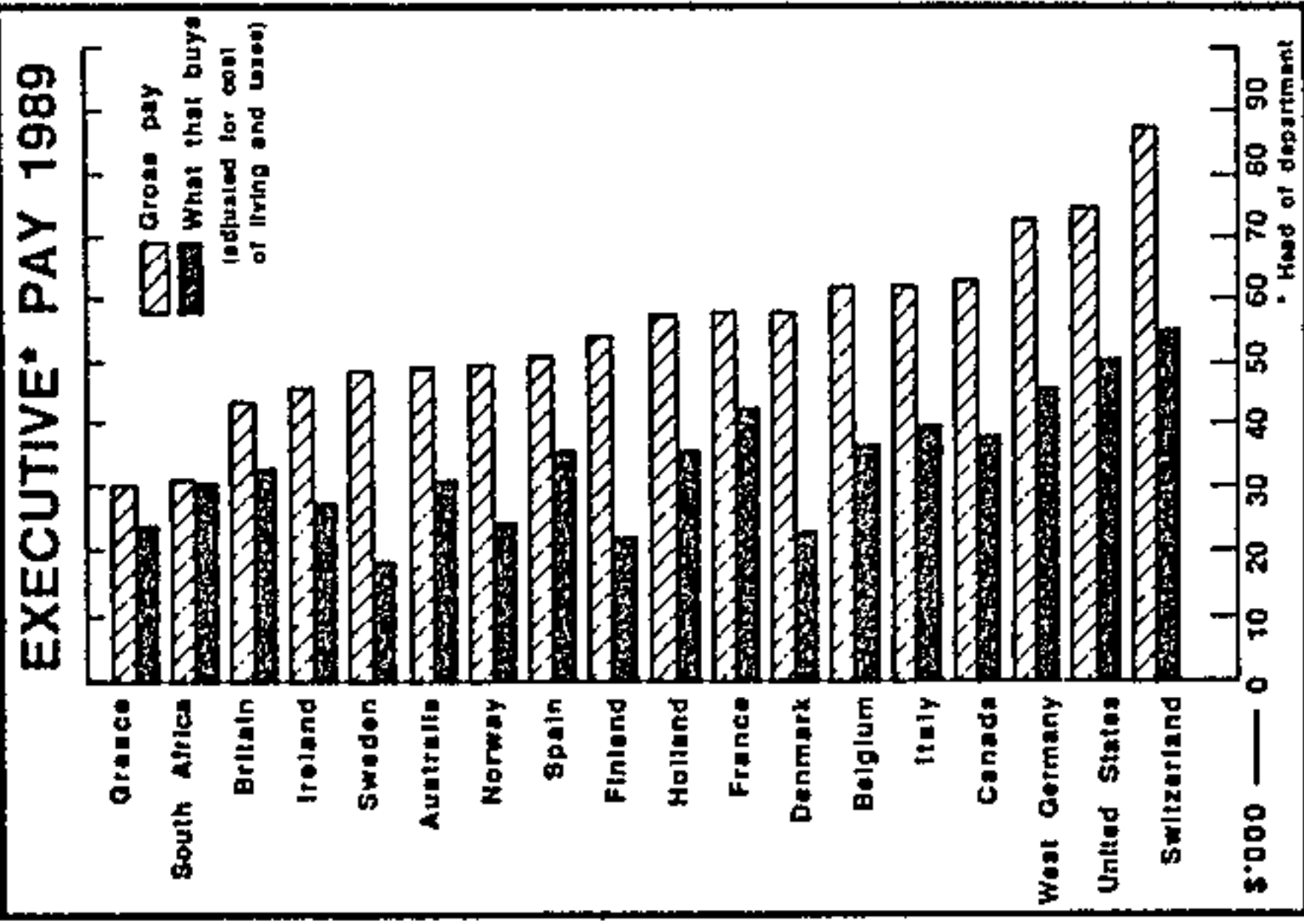
Mr Short has no doubt that South Africa has the required skills and ingenuity to develop homes within the price bracket of the new scheme.

"Without doubt, the big plan will allow tens of thousands of families who previously did not get assistance, to become homeowners," he says.

The Urban Foundation has pointed out that the overseas contribution to the R3 billion housing scheme is limited to the Loan Guarantee Fund.

The Loan Guarantee Fund has raised R20 million both locally and from various overseas governments and companies to provide insurance cover to loans institutions for bonds of less than R35000.

It's what you can buy that counts



SOUTH AFRICAN executives may feel underpaid when they see what their counterparts overseas earn. When they take out their calculators and convert executive

Many to get homes aid

By PETER DENNEHY

123
THE R3,5-billion housing scheme announced this week would bring access to home-loan finance within the reach of "a third of all urban black and coloured families" who were previously excluded by their low incomes.

Mr Frans Pretorius, managing director of the Urban Foundation, said this in Johannesburg yesterday. Initially just the first R1 billion would be thrown into the scheme, and the rest would follow if it proved a financial success.

"This first billion represents a possible 40 000 dwellings at an

CAPE TIMES 7/10/89
average of R25 000 each," he said. They would probably be built over about three years, as property developers had to gear up their capacity to deliver.

"Thereafter, as the funds begin to turn over, it could mean 40 000 houses a year."

The total output of new housing built throughout South Africa last year had been 45 000 units, at an average of R20 000 each.

About 70% of the funds would probably be taken up in the PWV area, he said.

"A major constraint in the Western Cape, in the coloured

areas at least, is the high cost of land," said Mr Pretorius. "It's silly to put a R10 000 house on a R20 000 plot."

Local councils or the government would probably make at least some land available cheaply.

Mr Harold Matthiae, president of the Cape Peninsula branch of the Master Builders' Association, said he would not say a boom was coming as this implied good prices and profits.

"Houses at this end of the market are a lot of hard work for very low margins," he said.

Bank rate

Cape Times 10/10/87 (123)

By AUDREY D'ANGELO
Financial Editor

MOST people in this country will find themselves poorer as a result of a 1% rise in the bank rate announced last night. It will go up tomorrow morning, from 17% to 18%.

This will inevitably mean higher interest on bank overdrafts, mortgage loans and hire-purchase charges, and will tend to push up prices as manufacturers and shopkeepers recover their increased costs.

The news was received with dismay by Mr Kingsley Loney, regional manager of the Natal Building Society, and Mr Brian Button, managing director of Syfrets Bank.

Both said the man-in-the-street was already struggling to meet his commitments, and a higher bank rate would make matters worse.

In recent months, newspaper advertising columns have carried long lists of sales in execution of houses and other property which have been repossessed. And recent surveys have shown that the economy is moving into a downturn, with a falling demand for bank credit.

Up further?

Earlier rises in the bank rate this year were intended to protect South Africa's balance of payments by reducing demand for exports.

But some economists have forecast that rising interest rates overseas might force the Reserve Bank to push up its rates further. This was the explanation given by new Reserve Bank governor Dr Chris Stals last night.

Last week several Western European countries, including West Germany and Britain, raised their bank rates. Dr Stals said last night that this had widened the margins between South African and overseas real rates of interest.

"This will put additional pressure on the capital account of the South African balance of payments, on the exchange rate of the rand and eventually also on the rate of inflation in South Africa.

"In view of the relatively low level of South Africa's foreign reserves and our existing commitments to repay foreign loans, and taking into account the relatively low price of gold at this stage, the country can ill afford any further pressure on its balance of payments."

Dr Stals said the latest economic statistics con-

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DEI

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firmly that the economy had turned down early this year and was now technically in a consolidation period.

Discussing the difficulties caused to home-owners, small business people and farmers by higher interest rates, Dr Stals said that schemes were introduced to help them when the bank rate was raised in May.

Mr Loney said he expected more people would now take advantage of the government's scheme under which mortgage interest could be pegged at 17% — even though this meant the repayment period would be longer.

"But 70% of house purchases today are subsidised by the employer. And when the bond rate goes up the subsidy goes up too."

from the north and south freeways. which is

Loans from NBS before you buy

123 VAL PIENAAR

AS RIVALRY continues between financial institutions, NBS is offering guaranteed home loans to prospective buyers before they choose a house.

According to public affairs GM Brian Short, pre-arranged home finance has been introduced in an attempt to simplify the process of buying a home.

"For the purchaser, the Home Buyer's Guarantee removes much of the uncertainty from buying a home because the price range can be determined in advance. It also enables the purchaser to become a cash buyer and to negotiate from a position of strength, because the certificate is proof of intent and worth," he says.

Before choosing a house, the buyer completes an application form. This is assessed by the NBS and the buyer is allowed a home loan limit. The Home Buyer Guarantee certificate is then issued and is valid for three months.

"When the sale is finalised and the property details become available, the building can be inspected and approved. The loan is then processed in the normal way - resulting in a considerable saving of valuable time," Short says.

8/10/87

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Higher rates 'will knock business confidence'

C.M. Tait 11/10/87

(123)

By AUDREY D'ANGELO
Financial Editor

OVERDRAFT rates, bond rates and hire-purchase rates are certain to rise in the wake of the 1% increase in the bank rate announced on Monday, banks and financial institutions confirmed yesterday.

Building societies must give at least one calendar month's warn-

ing — but banks may raise their rates as soon as they please.

The Minister of Finance, Barend du Plessis, said yesterday that rising interest rates in Europe had "forced SA to fall into step with countries with which it had strong trade ties".

But he commented: "It is a tragedy that this technical adjustment is

being forced on us — especially as interest rates have for a long time stabilised."

Assocom CE Raymond Parsons warned that higher interest rates would have a negative effect on business confidence.

Calling for tighter control of government expenditure, he said the blow to confidence caused by the rise in interest rates "could be offset if the more decisive monetary stance is now accompanied by strict financial discipline leading to tax cuts.

"A blend of higher interest rates and lower taxes would be the best economic formula for SA to follow in the period ahead."

The move was seen by banks and building societies as inevitable, in

order to retain capital in SA.

A spokesman for the United Building Society (UBS) said the rise was expected after British and other European bank rates went up last week.

But the fact that it had been announced the day before a public holiday made it difficult for his company to say anything immediately about its future plans.

He said demand for mortgage finance was low at present.

Standard Bank MD Mike Vosloo said that a decision on rates would be taken by his bank today.

Scott McRae, MD of Camdon's Nationwide, said that home loan rates, now averaging

19.75%, would increase to 21% or more.

The lower income groups and those on fixed incomes would undoubtedly feel the pinch and repossessions of homes would increase. Many people would have to accept a lower standard of living.

"The fact is SA now has one of the highest bond rates and highest tax rates in the world. It will probably remain that way until government addresses the problem of inflation, as bond rates are directly related to inflation."

McRae said he did not expect house prices to drop following further increases in the bond rate. They would continue to rise in line with building costs, which were increasing at a rate of about 24% per annum.

Bankruptcies, repossessions may rise with Bank Rate

SMY By Magnus Heystek,
Finance Editor

11/10/89
Homeowners are facing a bleak Christmas in the wake of Monday's shock announcement of another one percentage point increase in the Bank Rate by Reserve Bank governor Dr Chris Stals.

The prime overdraft rate of commercial banks will be increased by the same percentage today and mortgage rates are set to follow suit.

The surprise decision by the Reserve Bank also sent shockwaves throughout the business and investing community, raising fears of a serious recession next year.

For many hard-pressed homeowners, another increase in monthly mortgage repayments will be just too much to bear and could result in large-scale repossessions and sequestrations.

Since interest rates bottomed out in January 1987, the prime rate now has been increased nine times. Monthly repayments on a bond of R100 000 repayable over 20 years have increased from R1 136 to R1 679 a month calculated on a mortgage rate of 19,75 percent.

MOBILITY

Another one percentage point increase will raise the monthly payment to R1 763 a month.

While banks have the mobility to increase their mortgage rates immediately, building societies have to give their clients at least one calendar month's notice, which means that any further increase in mortgage rates will come into effect on December 1.

A spokesman for a large building society expressed concern about the possibility of many homeowners, particularly blacks, who were in danger of losing their homes due to the steady upward spiral in the cost of home ownership.

A spokesman for organised agriculture estimated the increase would cost farmers another R100 million a year.

The increase in interest rates could also place a damper on the listing of Iscor, due next month.

The Johannesburg Stock Exchange can expect some selling of shares.

It now looks highly probable that the so-called soft landing for the economy is going to be significantly rougher, with bankers predicting a sharp upturn in bankruptcies, insolvencies and unemployment.

● See Page 20.

Home buyers to find an additional R300-m

By Derek Tommey

House buyers will have to find an extra R300 million a year for mortgage repayments if the building societies increase their mortgage rates by one percentage point, as seems likely.

Since the Governor of the Reserve Bank, Dr Chris Stals, increased the bank rate by one percentage point on Monday, three banks and one building society have announced rate increases.

The UBS has increased its mortgage rate by one percentage point and First National Bank, Volkskas, Standard and Nedbank have increased their prime rates by a similar amount.

First National has also raised its mortgage rate to 21 percent from November 1.

MONTH'S NOTICE

Three other banks say they are considering increasing their bond rates.

Building societies have to give a calendar month's notice, and any bond rate increases they announce now will take effect only from December 1.

Mortgage rates have been rising steadily since the start of last year. The

monthly cost of a R100 000 mortgage repayable over 20 years has risen from R1 136 to R1 679. It now seems set to rise again by R80.

The rise in the mortgage interest rate from 12,5 percent at the start of last year to around 20 percent has cost house buyers an extra R3 billion a year in bond repayments.

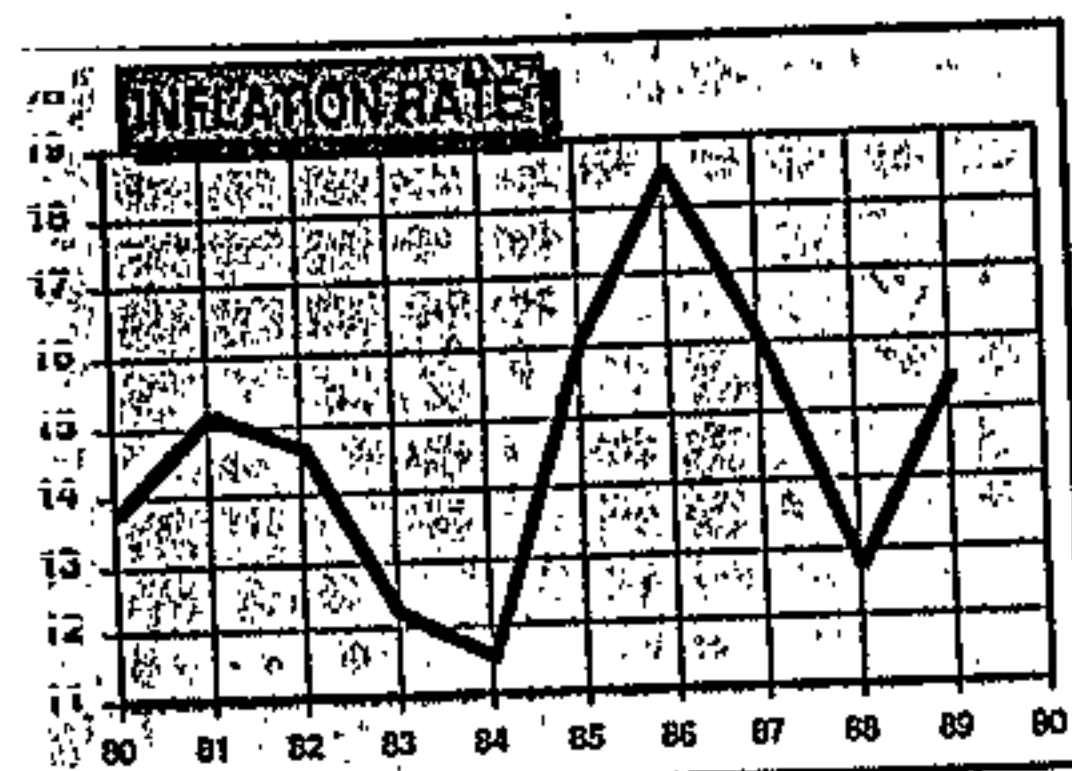
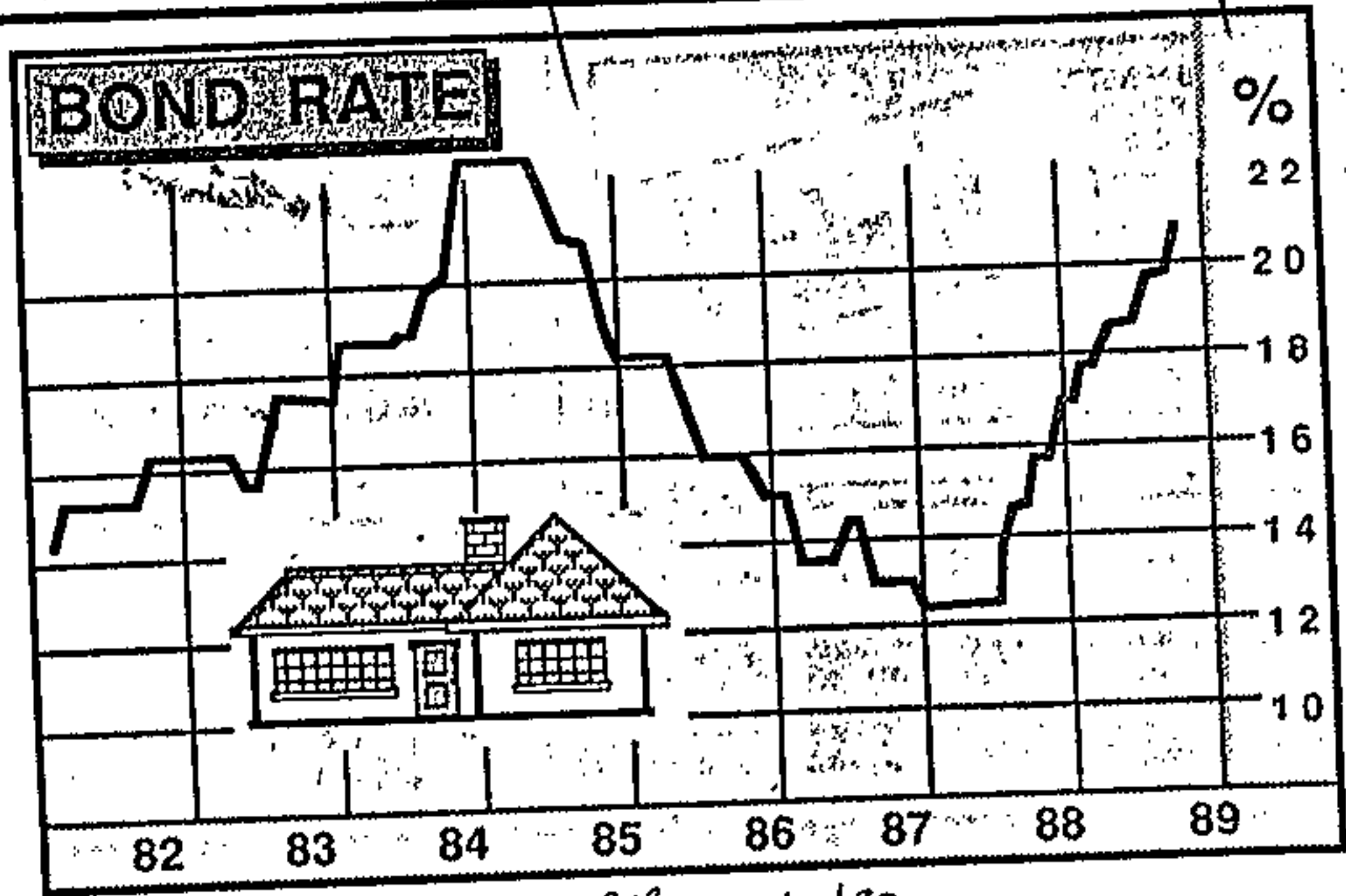
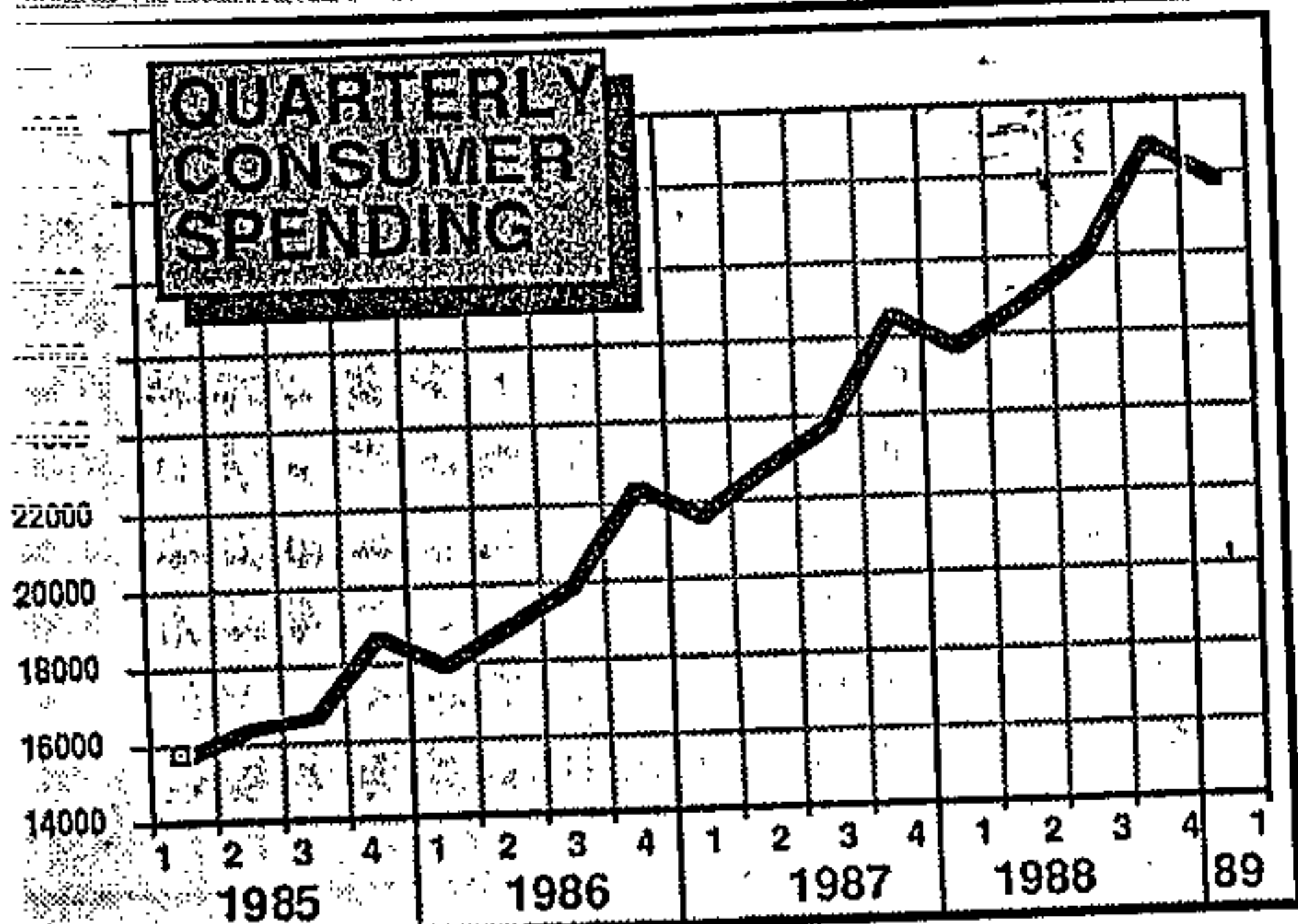
SHARE SLIDE

The increased Bank Rate, coming on top of a static gold price and strengthening financial rand, caused shares to fall sharply on the JSE yesterday, and at the close their market value had been reduced by about R10 billion.

● See Pages 2, 17 and 18.



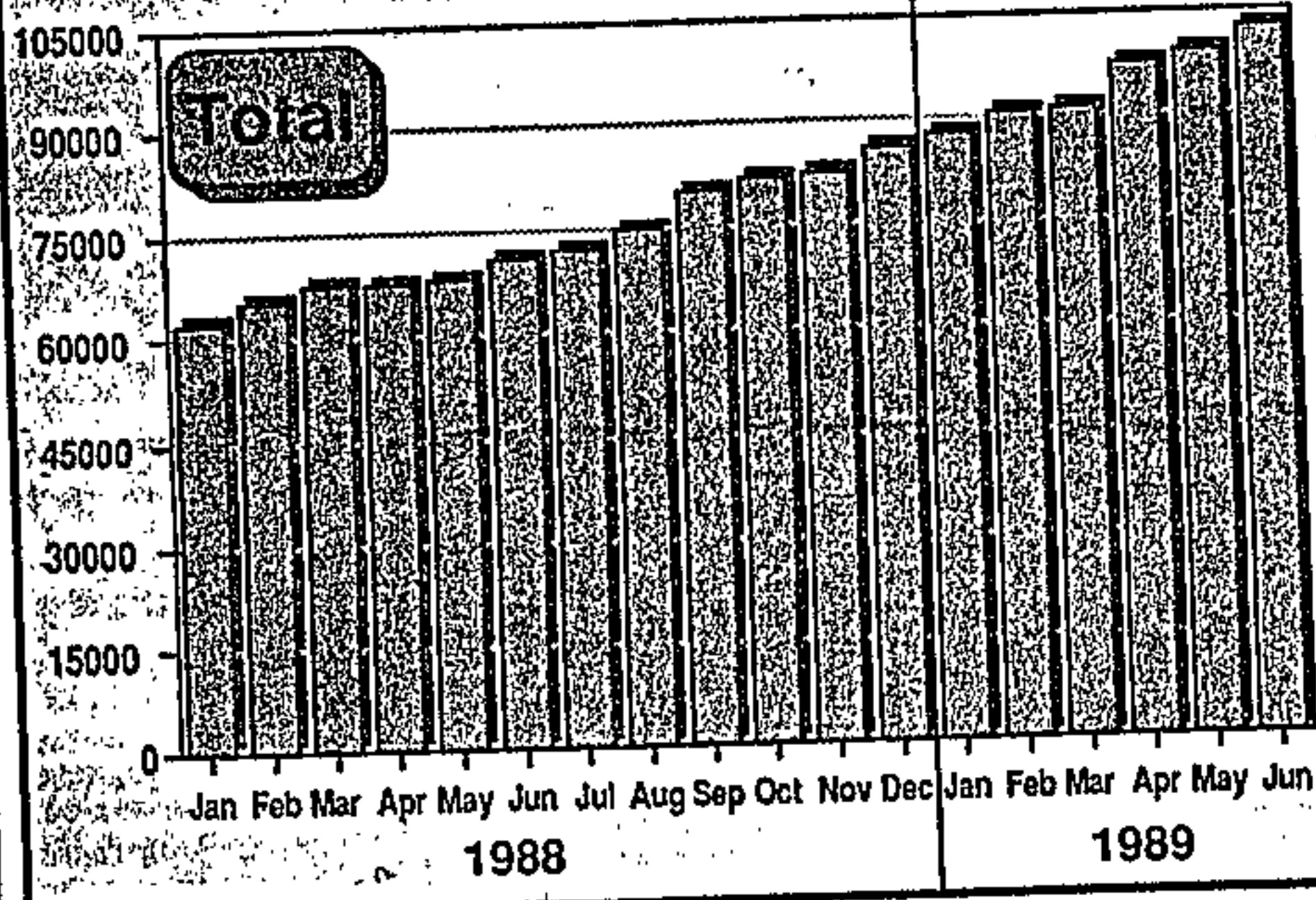
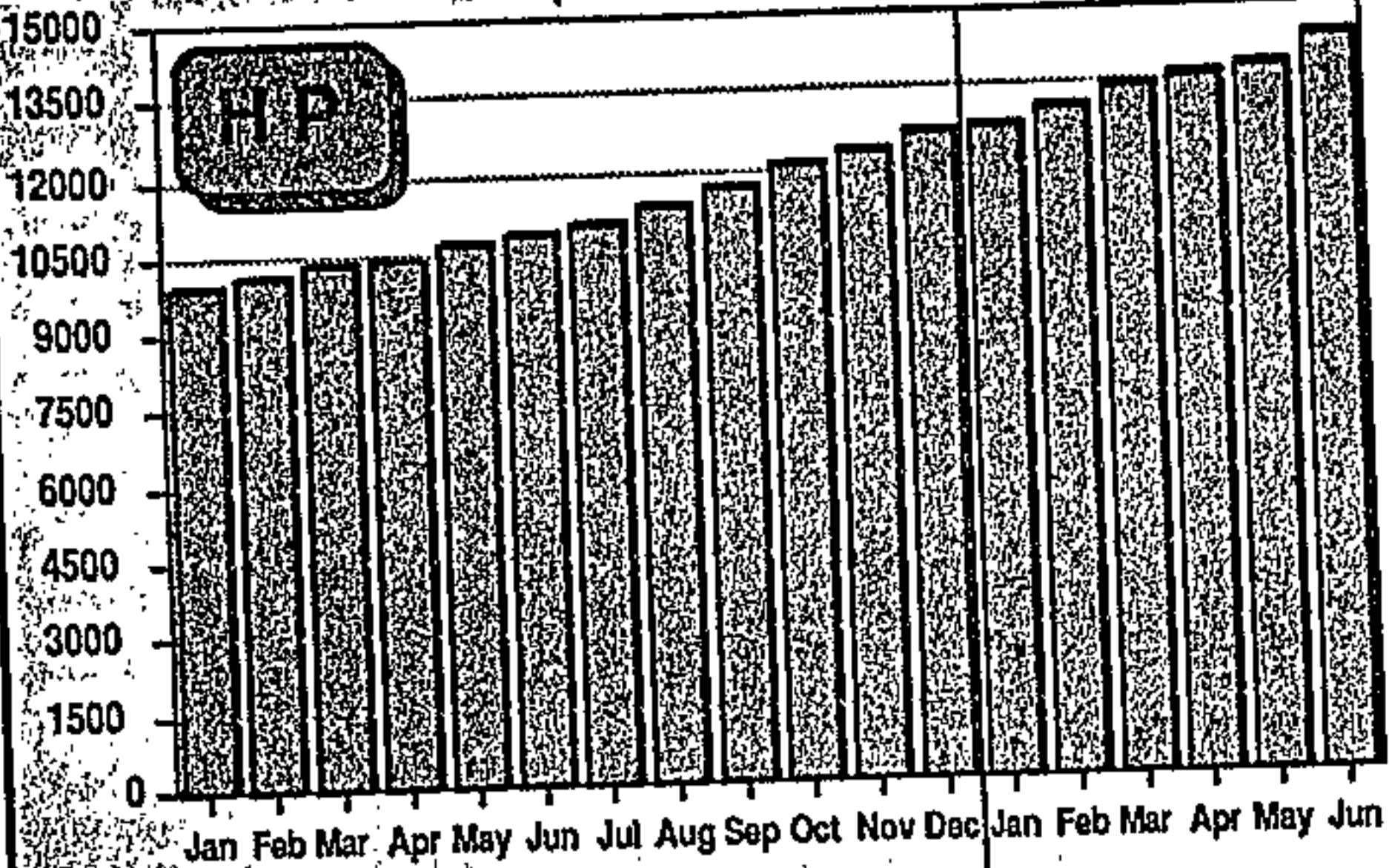
123



Lean times for household budgets

STAR 12/10/89

BANK CREDIT TO PRIVATE SECTOR
(R millions)



By MICHAEL CHESTER
The shock rise in the Bank Rate from 17 to 18 percent, its highest level since mid-1985, sounded a warning siren to South Africans to batten down the hatches in readiness for economic winds that will lash most household budgets.

Families carrying debt loads — from home mortgages to lease contracts or bank loans — will face the worst of the gales.

The problems will be multiplied if they ignore austerity packages aimed at curbing spending and have relied on further credit.

The high increase in the size of the debt burden which has been accumulated is shown in tables compiled by the Reserve Bank.

They show that credit extended to the private sector by the banks grew from under R63 billion in January 1988 to an unprecedented R103 billion at the latest count.

Credit out on hire purchase deals rocketed from less than R10 billion to R14,4 billion and cash out on leasing deals jumped from under R5 billion to almost R8 billion.

Thousands of household budgets have been cracking under the load — and Mr Paul Edwards, head of the Information Trust Corporation, which monitors buying on credit, expects the casualty rate to worsen as new interest rate patterns crank monthly repayment bills still higher.

The average number of civil summonses for debt issued to private individuals was running at more than 66 000 a month, at the most recent count. Courts were handing down judgments at the rate of over 33 000 a month.

HIGHEST ON RECORD

Worse, the monthly average total cash demanded in the judgments had bounded to nearly R80 million, the highest on record.

More businesses have been going under, too. The number of company liquidations, which last year sank to little more than 1 500 as the economy picked up — down from a 1985 record of 3 000 — had thundered back up to 180 a month by the middle of this year.

The new round of interest rate increases hits all home-bond holders. Casualties are likely to abound among home-buyers who overreached themselves two years ago and bought houses beyond their means under the delusion that rates were going to stay at only

12,5 percent.

The monthly payments on a R100 000 bond, agreed on 20-year schemes, which looked relatively modest at R1 140 at the tail-end of 1987, will cost no less than R1 778 with interest rates perched at about 21 percent.

The bill on a R50 000 bond sweeps from R568 to R889 a month. On R125 000, it is up from R1 401 to R2 223.

Mr Edward Osborn, chief economist at Nedcor, warns: "There is little, if any, chance of relief for the foreseeable future."

Why all the sudden upwards pressure on interest rates, when many seasoned observers had been convinced that rates had peaked and were due to begin a gentle decline?

Economic analysts have identified four main reasons behind the decision of Reserve Bank Governor Dr Chris Stals to hoist Bank Rate — the basic guideline for all interest rate patterns — from 17 to 18 percent:

GLOBAL TRENDS

- South Africa's need to stay in line with global trends of increases in interest rates announced last week in Britain and its neighbours in Western Europe — basically to defend the balance of payments from a renewed exodus of cash caused by international investors seeking better returns and to leave elbow room to settle international debts.

- Shock revisions in official statistics which have revealed that the country has been increasing the rate of its money supply — printing new bank notes to meet spending demands — by a disastrous 24 percent a year.

- New inflation threats, worsened by wage and salary increases pushing ahead of the consumer price index and raising the demand for still more and more credit.

- The choking-off of inflows of new capital from abroad, part and parcel of political pressures to dismantle apartheid, forcing South Africans to slow down their spending and commit more of their incomes to savings to finance economic development.

Though it may sound all bad news for the consumer, there are economists who support the Reserve Bank moves.

Dr Azar Jammine, head of the Econometric think tank, said yesterday: "That the Governor of the Reserve Bank should have responded so promptly (to rises in overseas rates) to prevent an outflow of capital is refreshing and reassuring."

FNB, UBS mortgage rates to rise

Call Time
12/10/89
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FIRST National Bank (FNB) and United Building Society (UBS) have announced that they are to increase home loans rates, following the rise in the bank rate earlier this week.

They are the first major institutions to raise mortgage rates, but indications are that others will soon follow.

FNB will increase its home loans rate to 21% at the end of the month, the bank announced yesterday.

UBS managing director Mr Mike de Blanche said bond rates would increase by one percentage point from 19,75% to 20,75% for new borrowers effective from today. Existing borrowers would be notified of an increase before the beginning of November.

Other banks and building societies reported that no final decision on rate increases had yet been taken.

Bond rates inevitably follow a higher prime rate induced by a rise in the bank rate, institutions said.

A 1% rise in the bank rate was announced earlier this week.

The 1% hike will cost homeowners another R83 a month in interest payments on a bond of R100 000, according to the chairman of Information Trust Corporation, Mr Paul Edwards.

Still under discussion

Natal Building Society's general manager public affairs, Mr Brian Short, said bond rate increases had not been considered, but that the situation was being monitored.

A spokesman for Allied Building Society said an announcement could be expected within the next few weeks, but existing bond holders would be affected, at the earliest, only from December 1.

Building societies are required to give a calendar month's notice for mortgage bond rate increases.

Spokesmen for the SA Perm and for Standard Bank said the matter was still under discussion, and further announcements would follow.

The Consumer Council chairman, Prof Leon Weyers, said the increase in interest rates could not have come at a more inopportune time.

"Many consumers have already had to forfeit their properties as a result of higher bond repayments."

Some relief for struggling homeowners does exist whereby, according to a government scheme announced in June, they can apply for a reduction of the mortgage bond rate to 17%. The concession applies only to bond holders whose outstanding loan is less than R60 000 and whose property is valued at less than R80 000. — Sapa and Staff Reporter.

● Pressure on deposit rates — Page 10

● Markets 'reel under shock' — Page 10

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FNB, UBS mortgage rates to rise

C.M. - T.M.P.
12/19/89
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● Markets 'reel under shock' — Page 10

Entire consumer market will feel a ripple effect

STAR 12/10/89 By Michael Chester

The ripple impact of the increase in Bank Rate on home bonds and hire purchase deals was sending shock waves through the entire consumer market, a major credit-rating network warned last night.

The bills piling up at the average household were likely to increase by at least R120 to R150 a month.

Mr Paul Edwards, chairman of the Information Trust Corporation, said many consumers faced the stark risk of bankruptcy as they were overwhelmed by the debt loads they were carrying.

"Many consumers are already in a precarious financial position," he said. "A new round of interest rate increases, which could see mortgage bond rates rising to 21 percent, will push many hard-pressed consumers into bankruptcy."

"The weak position of the consumer is highlighted by the rising number of sequestrations, the increased value of debt judgments and by the number of homes threatened by sales in execution."

He said the value of judgments handed down by the courts ordering debt repayments had already risen by almost 80 percent compared with a year ago.

Mr Edwards said he appreciated the need to dampen demand for imported goods in order to protect the balance of payments situation. But signals from the consumer sector indicated that consumer spending was already slowing down.

"The consumer has had faith that the Government's new approach to monetary and fiscal management would lead to interest rate stability, albeit at higher levels," he added.

Consumer spending had struck a psychological barrier with interest rates at 20 percent or higher and the repercussions could depress the economy for the next year or perhaps two years.

He believed the housing market would be hit at the lower end, with defaulters running into difficulties in selling their homes in a declining market. Black families might be even less inclined to become involved in home ownership.

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financial institutions, must be welcomed.

For the first time it puts formal housing within the reach of those of modest resources by unlocking a potential R2bn for financing mortgages in the R12 500-R35 000 range.

Financial institutions have, traditionally, been reluctant to invest in the lower end of the black housing market because of the perception — largely untested — that risks would be higher.

Initial take-up in the scheme is likely to be slow. Prevailing high interest rates, expected to remain around the 20% mark at least in the short term, and high inflation will keep the prospect of home ownership beyond the reach of many for whom the funds are intended.

The consensus is it's likely to take off only once interest rates fall substantially or revisions to the State system of housing subsidies are adjusted to favour the lower rather than the middle end of the market.

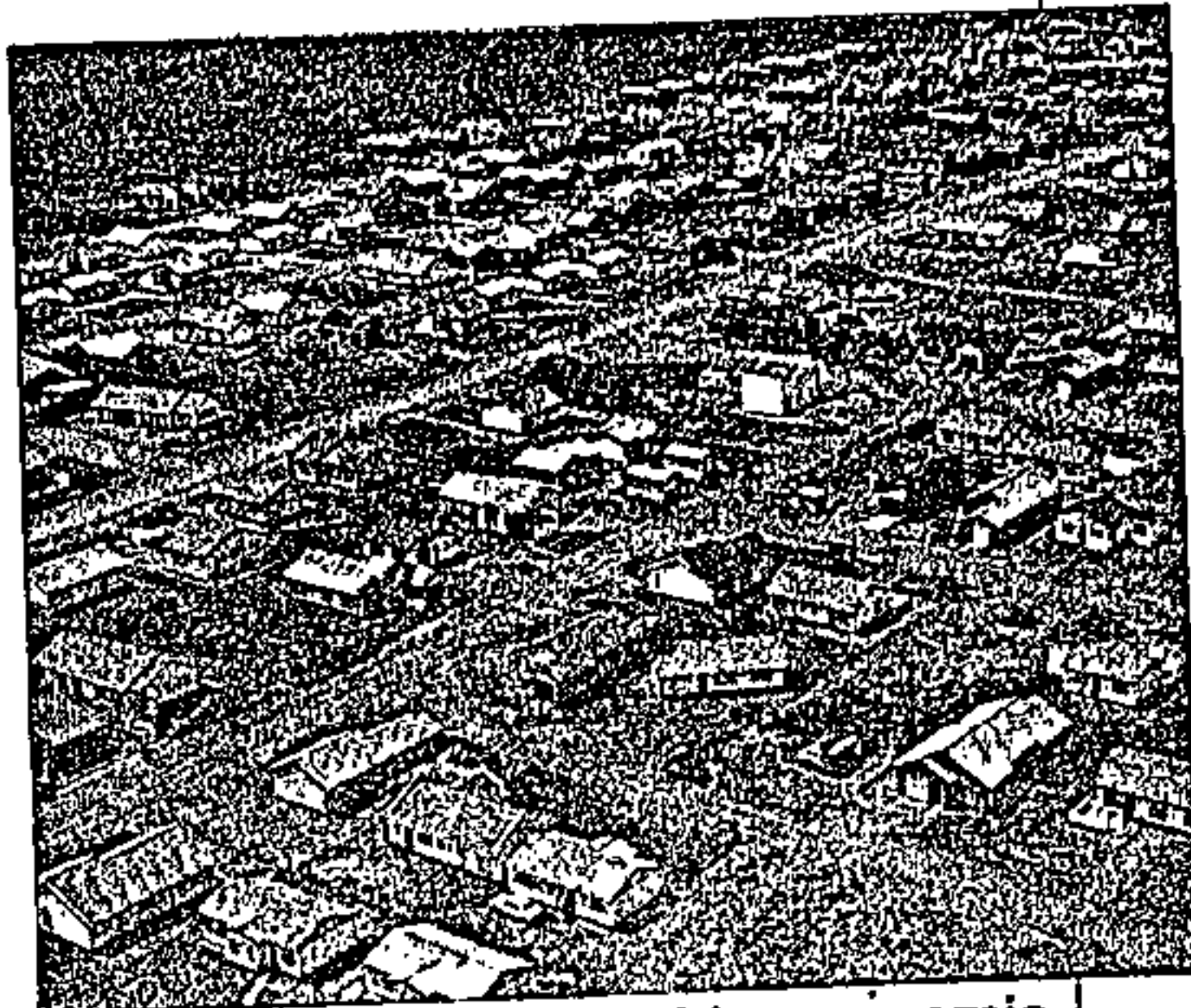
Lower risk

In addition, according to Bob Tucker, of the Mortgage Lenders' Association, differentiated mortgages, which will offer preferential bond rates to lower risk buyers, are likely to be phased in slowly by lenders as overall interest rates fall.

"The rate will be worked out by reference to the risk profile of the loan, which is unrelated to the colour of the borrower or the amount of the loan."

He says lower-income group borrowers are largely more reliable borrowers than their better-off counterparts. "This is largely because financing a bond tends to be a family affair in these households. Several wage earners pool resources to meet repayments. If one loses his job it makes paying instalments more difficult but not impossible."

Further up the ladder, he says, bonds are



Bringing housing within economic reach

BLACK HOUSING

Slow but sure

The Urban Foundation's bold initiative, which creates a safe bridgehead into the bottom end of the black housing market for

typically serviced by individual earners who cannot meet repayments if they are out of work.

He also believes the negative impact of high interest rates could be cancelled out because many companies put a high priority on making decent housing a reality for employees.

Another aspect, which will have a dramatic impact on the success of the project, will be home ownership education. Standard Bank GM home loans Terry Power says: "This is key to the whole issue. All the participants in the project must tell the new owners what they are getting, what they must pay and why they have to pay. Many of the buyers will be moving out of very low quality shelters and will, for the first time, have to do some very basic financial planning."

The Urban Foundation initiative should, as it takes effect early next year, make a significant dent in 1988's 800 000 housing backlog.

According to Urban Foundation residential and development division MD Matthew Nell only 10% of blacks can now afford conventional homes. It would require the construction of 127 000 homes a year until 2010 to erode the deficit and meet the additional demand of 2m dwellings which will be needed during that period. Only 45 000 dwellings were built last year.

Foundation CE Sam van Coler says implementation of the scheme will be gradual. "This initiative creates a mechanism which will eventually enable the provision of a further 40 000 to 50 000 homes a year to the total housing pool. However, we hope the first 40 000 units will be provided over three years. It will start slowly and gather momentum."

The scheme has two facets. The first, involving Britain, Switzerland, West Germany and international business along with the private sector in SA, provides a R20m loan guarantee fund. This will provide cover which effectively reduces the risk exposure of the home-loan institutions from the traditional 80%-90% of the property value to 60% for bonds of less than R35 000.

The second entails a commitment of a further R2bn to finance bonds of less than R35 000. The rate at which this capital will be absorbed depends on how quickly the private home building industry can provide

the required lower-cost houses.

"This is a new market, the insurance industry and home builders will have to develop experience, and the materials supply industry will have to gear up to meet demand," says Nell.

Bond rates: hundreds of homes lost

8/10am
13/10/89

HOME loan foreclosures by lending institutions are more than 200% higher than they were this time last year, reflecting the squeeze of higher interest rates and living costs.

For some institutions, the number of foreclosures has risen by 300% year-on-year.

Perm senior finance and accounting GM Peter Hibbit sees the increased foreclosure rate as a replay of the 1984/85 recessionary conditions.

He also believes that as in 1984/85, the squeeze will accelerate structural readjustments in the home loans market as institutions relate individual lending to individual risks.

Weekly foreclosures have risen to 376 (week ending October 6) from 295 (September 8), with average foreclosures at around 275 for the month.

A year ago, the weekly average foreclosure rate for the equivalent period was around 120. Six months ago, it rose to approximately 140 — excluding banks.

In the week ending September 22 1989, when there were 244 foreclosures by institutions, the major foreclosing institutions were: UBS 55 (week ending September 23 1988: 37); Nedperm 132 (23); Allied 21 (21); NBS 26 (4); and the balance spread among 10 institutions.

These rates are based on Government Gazette announcements of sales in execution, which do not provide values. Financial institutions account for approximately 85% of these announcements.

ROBERT GREIG

No indications of race are given but it seems from neighbourhoods and surnames that the jump in foreclosures is largely, but not exclusively attributable, to blacks being increasingly squeezed by rates. Until now, the Perm says, there has been little racial differentiation in bond arrears.

Bank foreclosures are significantly lower than the building societies' and their increase is less pronounced.

But society spokesmen, including Hibbit and the UBS's GM Kevin McGregor, point out that number of foreclosures is no clue to amounts involved.

In addition, they say, banks, unlike building societies, are not legally bound to disclose the size of their home loan lending book which is often lumped together with other lending.

Different and undisclosed accounting definitions of "arrears" make comparisons of institutional risk impossible.

An estimated R38bn-R40bn is invested by financial institutions in home loans, of which an estimated R9bn-R10bn has been provided in recent years by banks, chiefly Standard and First National which tend to cater for the upper end of the market.

For this reason, says Hibbit, the few bank foreclosures may equate in value to many building society ones.

Institutions believe the rise remains within bounds of the acceptable and predictable, though they are obviously con-

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Bond rates

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From Page 1

cerned about the social effects of foreclosure and try to avoid it.

Hibbit says acceptable ratios between unsold properties in possession (PIPs), where risks lie, and total lending can be between 0.25% and 0.5%.

Societies are reluctant to disclose these figures.

Hibbit says: "For the last six or seven years, losses and risk have been a fact of the mortgage lending business. When rates came off after 1984/85, there was an im-

provement but we have never returned to the risk patterns that existed before.

"The mortgage lending business has changed from a pattern where large borrowers paid high rates to a pattern of uniform rates.

"With the entry of the banks into the market, this has been changing with a trend towards building the cost of lending risks into the cost of borrowing.

"It's likely that this differentiation by market segment will be accelerated by what we are experiencing now."

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Homeowners in crisis

Staff Reporter

BANKS that have not yet raised home loan interest rates are preparing to do so today as struggling homeowners and consumers once again slash their budgets to the bare minimum.

The ripple effect of Wednesday's shock 1% bank rate hike has already begun to spread into all areas of finance, worsening conditions for the man in the street.

Salesmen at major commodity sales houses yesterday reported a sharp drop in credit demand trends over the last month, specially in the new car market.

Mr Jimmy McKenzie, First National Bank's public affairs general manager, said sales in their car financing division had tapered off dramatically with the bulk of sales now going to establish or complement company vehicle fleets.

Mrs Martie Beetge, credit control manager for a major local home appliance discount store, said there had been a 20% to 30% drop in demand for credit compared to this time last year, while bad debts had increased.

More banks up loan rates as shock spreads

Estimated housing bond arrears nationally stand at R1,5 billion, the highest in South Africa's history.

For homeowners trying to make ends meet after dealing with an almost 50% increase in bond repayments in the past 18 months, bank managers yesterday suggested people contact them before they reached financial "crisis point".

All expressed a willingness to extend loan periods with temporary "capping" arrangements on repayments.

First National Bank is increasing its home loan interest rate from 20 to 21% on November 1, while Standard Bank is ex-

pected to announce a jump from 19,75% to 20,75% today, also effective November 1. Other banks will follow suit.

Building societies must give a month's calendar notice before pushing up their home loan rates. The UBS has announced an increase from 19,75% to 20,75%.

Mr McKenzie said the consumer demand for credit was dropping fast but the corporate market and project financing had been "holding up" until Tuesday's announcement. The prime rate rise would reduce corporate demand, producing the overall desired effect of cooling down the economy and putting South Africa in a better international financial position.

Reacting to senior banking officials confident predictions a month ago that the home loan rate would remain steady until early next year and then drop by one percent, Mr Peter van Broembosen of the SA Perm said nobody could have predicted the Reserve Bank adjustment.

"It was the international pressure on interest rates and a pre-emptive move by the Reserve Bank," he said.

Repossession rate not yet alarming, says Perm man

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EDWARD WEST

HOME loan foreclosures had increased significantly since last year, but repossessions by institutions had not yet reached alarming proportions, SA Perm senior finance and accounting GM Peter Hibbit said yesterday.

He said that in May, sales in execution came to 550 homes excluding banks. In June the figure was 677 homes, including bank sales in execution.

The July figure jumped to 801 homes while in August the figure was 850 homes.

The rapidity of the increase in foreclosures is revealed when these figures were compared to only 475 sales in execution in November 1988, said Hibbit.

Property economist Neville Berkowitz said people seeking home loans should seek professional advice on family affordability levels, preferably from an independent attorney, before committing themselves to a home loan agreement.

Berkowitz was reacting to newspaper reports about the substantial increase in home loan foreclosures compared with last year.

He said most foreclosures were on buyers who had taken out home loans when interest rates were low at 12.5%.

Rising interest rates and relatively

fixed incomes had killed affordable bond repayments for many.

Loans had often been made without the prospect of rising interest rates being taken into account.

Berkowitz also stressed social implications which was not reflected in home loan foreclosure figures. Each foreclosure represented a family which no longer had its own home.

The Urban Foundation's FHA Housing CEO Brian Longely said foreclosure was a trauma for the dispossessed white homeowner.

Black homeowners faced with home loan foreclosures usually returned to shared or shack housing, which often was not new to the black, but still represented a trauma.

Analysts said home loan foreclosures were a last resort by financial institutions caused by the administration costs of maintaining a property portfolio.

The institution rarely retrieved the full value of its initial capital outlay.

Hibbit said each case of bond repayments in arrears was looked at on its merits and discussed with the client.



A retirement home for the rest of your life

SANLAM Properties' proposed R50m San Sereno retirement village, developed by Anson Holdings, a subsidiary of Sanlam, has been exempted from the regulation of the Retirement Villages Act, and the central facilities and first 110 units are due for completion by April.

"The Act vests certain powers in the tenants of a retirement village — but our scheme is being sold on a basis of life rights rather than an outright ownership," said senior manager Ben Lochner. "Sanlam retains ownership of the property, and we guarantee the levies payable by the tenants.

"Under the circumstances, it would be inappropriate for the tenants to have the right to fire us as management company, for example."

The development, in Bryanston, Sandton, covers a 13,5ha site. It comprises 168 one- to three-bedroomed simplexes, 48 one-bedroomed flats in two double storey blocks, 52 suites attached to the medical unit and a frail care centre to accommodate about 56 beds.

The central facilities include a community centre with a dining room, restaurant, library, games and hobbies rooms. There is also a heated pool and

VAL PIENAAR

a laundromat, a small shop and banking facilities.

Prices for simplexes range from R185 000 to R300 000, for flats from R140 000 to R165 000 and for suites from R70 000 to R135 000.

Levy arrangements vary according to the age of the individual tenant. Agreements allow for set escalations for up to 12 years, after which the levy is fixed for the remaining life of the longest living spouse. In the case of tenants of 80 years and older, the levy escalates for only three years.

Security

Some criticism has been levelled at the life rights concept relating to retirement village schemes. Its detractors maintain it is not the best investment option available, and say it is in the owner's best interests to play a more active role in determining management policies. In this development the tenants life rights are protected through a lease.

Lochner, however, said his company was more interested in marketing "lifetime peace of mind" than property investments.

"Essentially, there are two markets

for retirement accommodation. One market wants to see a capital appreciation on its property investment, but the other is more interested in assuring its financial security than in leaving a large inheritance. San Sereno is designed for the second market."

The money paid for the units is invested in a life policy to the value of the total investment, and in an annuity to cover the rental of the unit until the death of the policy holder.

In the case of a couple, the annuity will continue to pay out until the death of the longest surviving spouse.

"The life policy is guaranteed to pay out the original capital investment on the property when the policy holder dies. And if the tenant decides to leave San Sereno, all that is required is three months' notice. The insurance policy and annuity remain in his name, and can be surrendered if he wishes."

There is no obligation to take out policies through Sanlam.

"The advantage of this system over a straight rental agreement is that it reduces income tax payments.

"If a retired person was paying rent out of the income from investments, this income would be taxable — whereas by investing in a scheme like ours the annuity is paid directly to Anson, which is taxable on it," Lochner said.

Foreclosures up significantly

Own Correspondent

JOHANNESBURG. — Home loan foreclosures have increased significantly since last year, but repossessions by institutions have not yet reached alarming proportions, says SA Perm senior finance and accounting general manager Mr Peter Hibbit.

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Subsidy as farm housing becomes part of overall plan

By GRAHAM LIZAMORE
Staff Reporter

HOUSING for farm workers and their families is to come into overall planning for housing in South Africa in future, Agriculture Minister Mr Jacob de Villiers has announced.

Speaking on the final day of the South African Agricultural Union congress in Sea Point, Mr De Villiers said President De Klerk had given an undertaking to farmers when he opened the congress on Tuesday night that he would be looking into housing.

Mr De Villiers said the government had now decided that in principle planning housing for farm workers and their families would form part of the total housing strategy for South Africa.

It was envisaged that the adjusted scheme would be administered in the same way as in the past, by respective departments of agriculture (own affairs administrations).

SIMPLIFIED

However, the application of the scheme would be considerably simplified and entail a non-recurring capital subsidy to *bona fide* farmers for the construction of housing.

This would eliminate the registration of bonds, he said.

It was also possible that simplified building standards would be developed for rural areas with a view to affordability.

Particulars of the scheme, as well as requests from the South African Agricultural Union,

were being given urgent attention.

He expected the funds to be available in 1990/91.

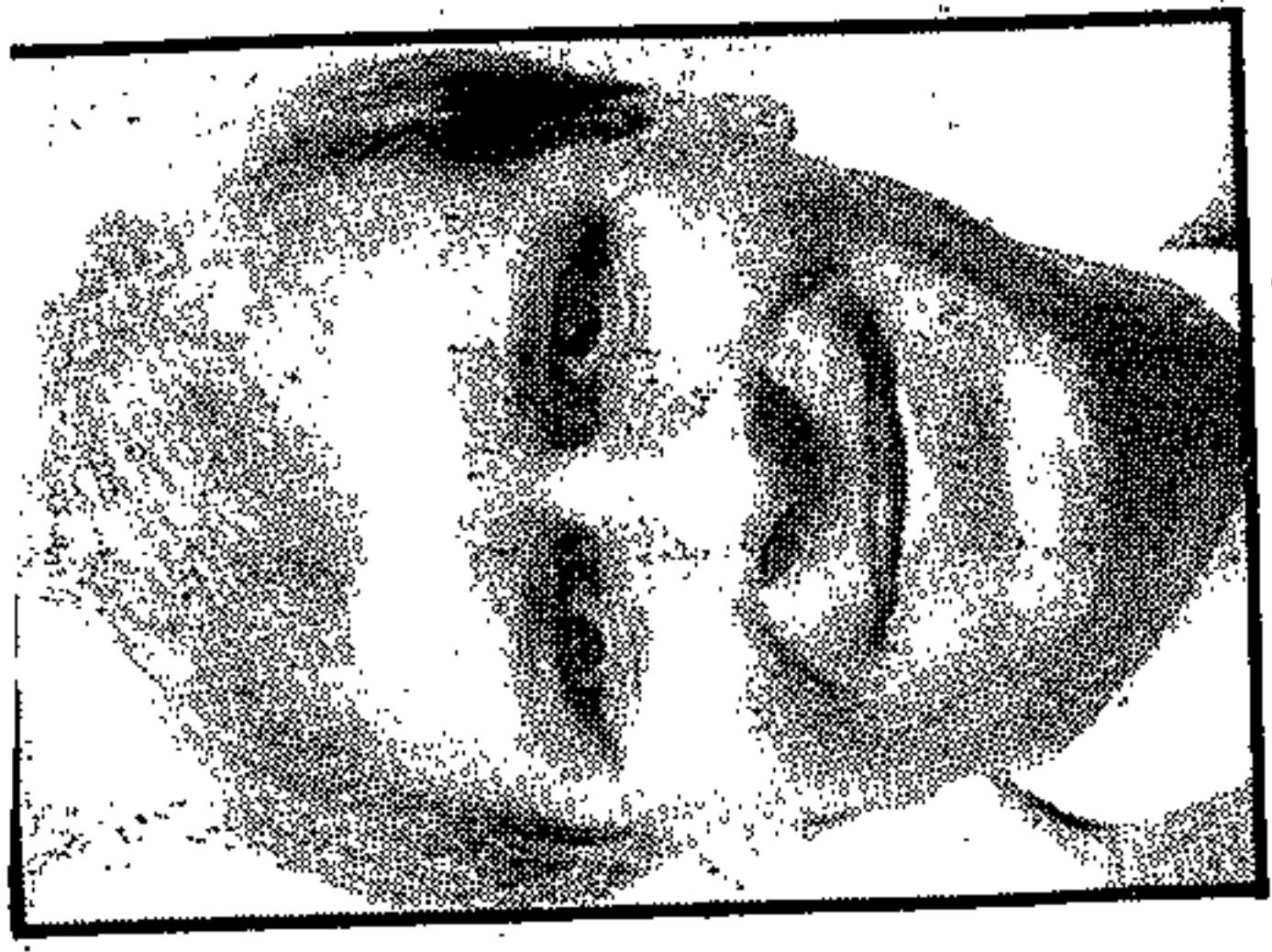
A spokesman for the South African Agricultural Union, Mr Gerrie Smit, said farmers would welcome the news because they had been under considerable financial pressure in ensuring proper housing for their workers.

A matter of survival for building industry

LOW-COST HOUSING boom offers hope

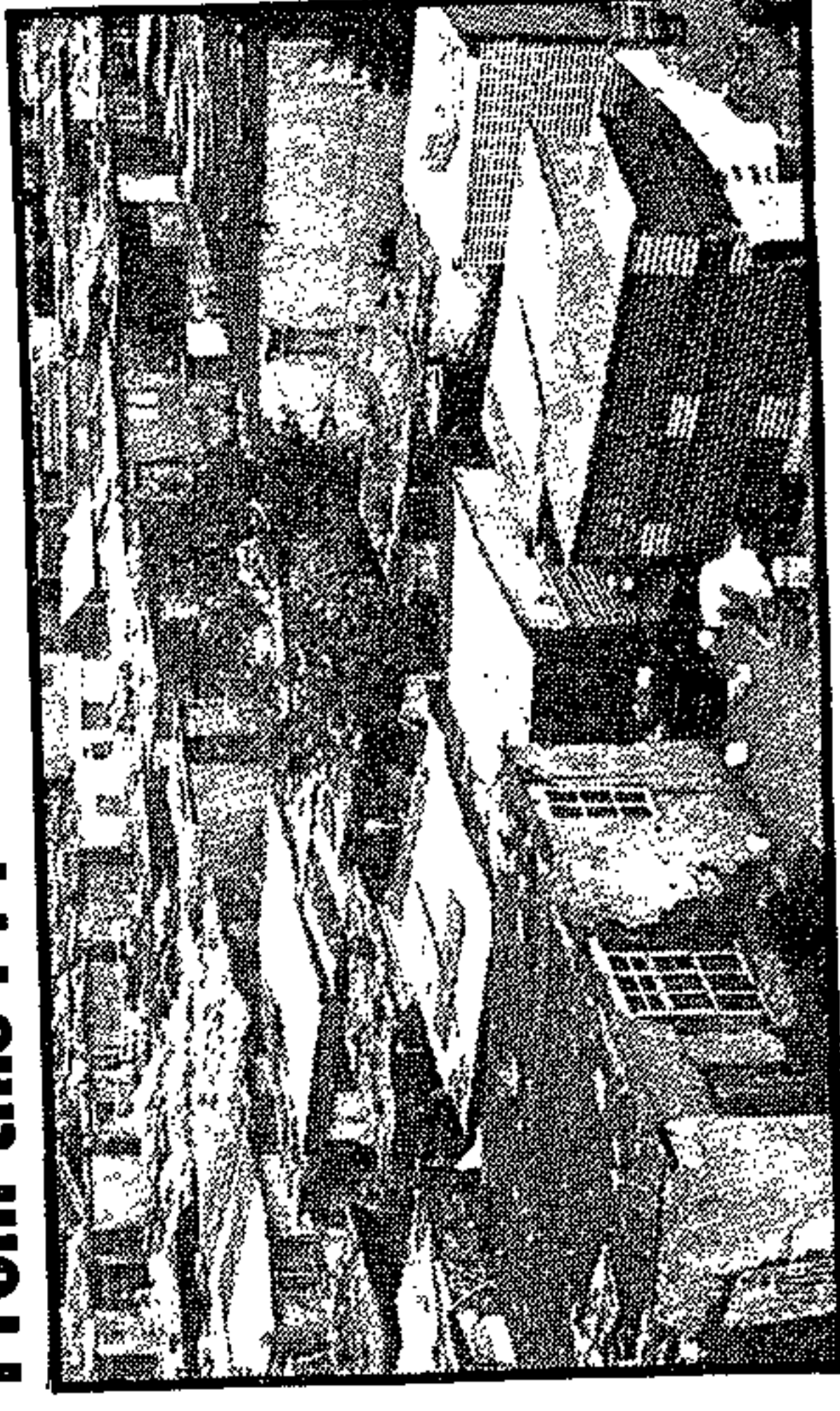
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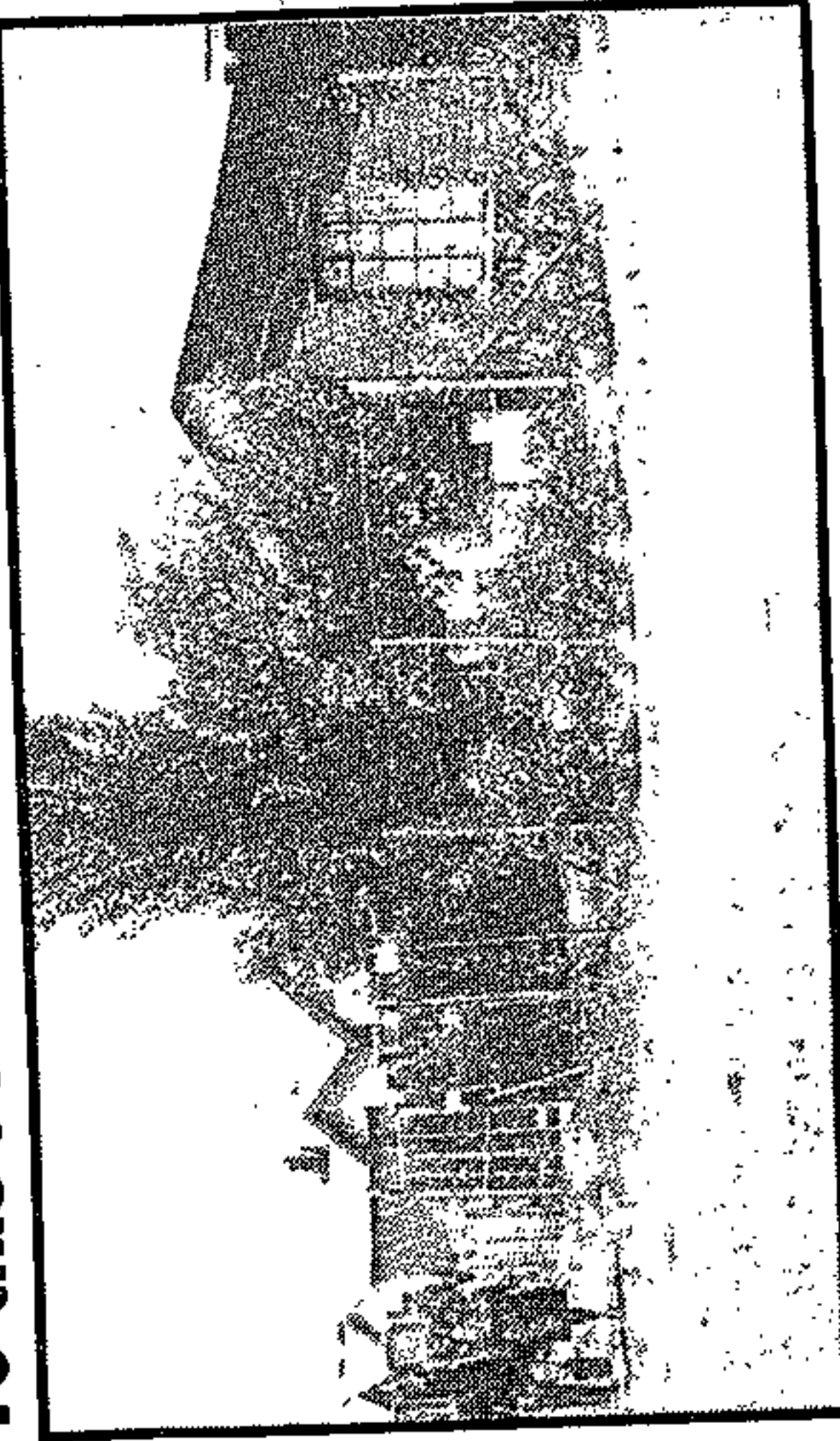


Wallie Conradie

From this...



To this...



JABULANI SIKHAKHANE

THE South African Housing Trust's R865 million investment in the affordable housing sector could provide a boost for the building industry in the next two years — a period when forecasts are that there will be a downswing.

According to the SAHT annual report for the 16 month period to end June 1989, the investment will result in the construction of 49 000 homes and servicing of 38 000 stands.

Only 9 200 homes have so far been constructed and 19 350 stands serviced and nearly 40 000 homes will be going up in the affordable housing sector — in the next year or two.

Dr Simon Brand, chairman of the SAHT, writes in his report that current consensus of opinion suggests a general slow down at all levels of economic activity.

"The cyclical peak in interest rates and the concomitant decline in consumer spending patterns have caused entrepreneurs to lower their levels of expectation regarding performance of the economy over the next 12 months."

Historical evidence was that the impact can be expected to be

adverse on building and construction industry.

"We believe that the active participation of all developers in low-cost housing programme could very well help to stabilise economic activity in the building and construction industry during the cyclical downswing, offering stability of employment as well as retaining acceptable levels of turnover to suppliers."

The acting MD of the SAHT, Wallie Conradie says projections are that 1988's real growth of five percent in the building industry would be followed by two years of

negative growth with recovery not expected until 1991-92.

"On these projections, it seems that builders can either wind down or gear up for a new challenge in the affordable housing sector."

At the lower end of the market, he says, one is looking at big volumes, small ticket costs and slim margins per unit. The "culture" involved in such a scenario, says Mr Conradie, may be so different from the mainstream that some bigger firms may consider setting up small, lean subsidiaries.

"Others may be confident that

their structures are already lean and responsive enough to cope with such a challenging environment."

Mr Conradie says construction firms and suppliers could benefit from the affordable housing market. However he warns that in this type of market wide ranges might become luxuries while concentration is on basic lines becomes the norm.

"The affordable housing dilemma is going to be with us for at least a generation. The population will top 50 million a couple of years into the next century. Some

60 percent of the black population will be urbanised by 2010."

Mr Conradie adds that corrections to the last census show that 51 percent of the black population is aged 20 or under and some experts point out that now half the black population is 16 and under.

For companies prepared to innovate and adjust to new realities, this means continuing work on the lower end of the market.

"It is a bread-and-butter effort, and the butter can be spread thin, but at least you avoid lay-offs and you maintain a steady level of plant utilisation."

'Windfall' of R300m in bond rate rise

JOHANNESBURG. — Financial institutions have collected an additional R300 million since the sharp rise in the bond rate from 12,5% in July, 1987 to the current 21%.

Commenting on this development in a statement released yesterday, SA Co-ordinating Consumer Council director Mr Jan Cronje said that perhaps the time had come to peg interest rates on existing bonds at a fixed reasonable rate. This would restore confidence in the economy and enable the consumer to plan ahead.

He pointed out that many home-owners bought their properties at an interest rate of about 12%.

However, the arbitrary increase in interest rates had exhausted savings, increased unemployment as well as weakening confidence in the economy.

He said during October some 800 houses had been repossessed. — Sapa

Bond subsidy collapses

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Association of Commercial Banks.

Asked whether the scheme would continue to function, Mr Gerber said: "I'm not in a position to give any information; it is enjoying attention at the highest level."

A regional representative of the department, Mr Chris van Niekerk, declined to comment.

Major building societies have been caught totally unawares by the emptying of the fund, with Natal Building Society (NBS) communications manager Mr Brian Short saying yesterday: "This is absolutely new. We had no wind or intimation that this was happening."

The threat to prospective homeowners will almost certainly not affect present bond holders who rely on the first home-owners subsidy. Government spokesmen have emphasised that only those still applying for assistance might not be helped.

By CHARL DE VILLIERS

THOUSANDS of aspirant homeowners could be left in the lurch following the rumoured collapse of a R50-million government subsidy scheme for first-time home-buyers.

First wind of a collapse came yesterday when a prospective city homeowner heard that his application for a government subsidy had been turned down, undermining his bond application.

SA Perm's Plumstead bonds manager Mr Geoff Howell said a clerk at the Cape Town offices of the Department of Local Government, Housing and Works had told one of his estate agents that the department had "run out of funds".

Mr Howell said: "While lots of people are waiting for allocation of subsidies, we are waiting for clarification."

Top government officials last night remained tight-lipped over the condition of the fund.

The chief director of the Department of Local Government, Housing and Works, Mr Frank Gerber, said he could not assure applicants that their applications would be met.

Pressed for more details about the fund, Mr Gerber said: "I cannot talk about the R50 million. It is not related to my department and I cannot furnish any more information."

However, Finance Minister Mr Barond du Plessis in May this year earmarked funds for first-time buyers and aspirant home-buyers who did not qualify for other subsidies.

This was jointly administered by the then Department of Public Works and Land Affairs in conjunction with the

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No funds for home buyers, admits govt

Political Staff

FUNDS for the first-time home buyers subsidy may have dried up, the government has admitted.

Last week the Cape Times made repeated, but unsuccessful, attempts to obtain government comment, including from the Minister of Housing (House of Assembly), Mr Sam de Beer, and his department, on fears that the interest subsidy scheme had collapsed because of a shortage of funds.

In a statement released at the weekend, Mr De Beer said the scheme, which came into effect on July 1 this year, was more popular than expected and the demand for the subsidy "may possibly not be met with available funds".

But already approved participants would continue to enjoy benefits under the scheme, he said.

In it, Mr De Beer emphasised: "Funds are not unlimited and it is therefore essential that measures be applied to keep expenditure under the scheme within limits."

To prevent confusion, a clear distinction should be drawn between the interest subsidy scheme for first-time home buyers and the scheme in which relief was granted to bond holders who had to pay higher instalments as a result of increased rates.

Mr De Beer said the two schemes were confused in the media and reference had erroneously been made to an amount of R50 million.

The scheme was administered by the Department of Local Government, Housing and Works in the House of Assembly, Administration, in respect of whites.

At present 18 000 people are participating and the subsidy amounts to about R49m during the current financial year and through it the state is assisting a substantial number of people to become home owners.

The scheme initially applied only to new dwellings but as from July 1, 1989 it was extended to include the purchase of existing dwellings.

Prescribed procedures, which were clearly agreed upon by financial institutions, required purchasers to obtain a financial authority from the department before applying to a financial institution for a loan.

"In this way, it is ensured that financial commitments entered into correspond with the availability of funds.

"Indications are that this procedure has not been complied with in all instances," Mr De Beer said.

It was not possible to determine in advance the additional demand when the scheme was extended but experience had shown that it was more popular than expected.

The general rise in interest rates had created a further financial strain on available funds.

Measures to address the situation were under consideration and "pending their finalisation, certain applications will of necessity have to be held in abeyance".

These measures would be announced as soon as they were finalised.

He added that the Ministers' Council reaffirmed its commitment to continued assistance to the less privileged section of the community to enable them to obtain proper housing.



'7-m squatters are here to stay'

The Argus Correspondent

PRETORIA. — At least seven million people in South Africa live in squatter settlements, backyards and garages — and the rest of South Africa will have to learn to live with it.

This emerged at a symposium on urbanisation arranged by the Department of Development Planning in Pretoria today.

Dr S F Coetzee, director (policy analysis) of the Development Bank, placed the number of "squatters" at seven million and said this informal housing sector was growing rapidly.

Delegates also heard that informal housing would have to be accepted as part of the solution to the country's housing crisis.

Dr G N van Zyl, a town and regional planning consultant, said informal housing structures were acceptable as long as basic services allowed for healthy living.

Transvaal MEC Mr John Mavuso said squatters were not necessarily unemployed or destitute, but might be living in informal housing because nothing else was available.

Dr Coetzee said South Africa's urban black population was expected to more than double between 1980 and 2000, to reach about 25-million. However, black urban areas maintained the character of "dormitory towns" with backlogs in infrastructure and other services.

He said the major challenge in the next 10 years would be to build up the informal sector to improve the quality of life of these urban areas.

Dr van Zyl estimated that 70 000 ha of new ground would be needed for housing in the main metropolitan areas — the greater PWV, Durban/Maritzburg, Cape Town, Port Elizabeth/Uitenhage, East London and Bloemfontein — in the next 10 years.

Housing a link in chain of political negotiations

By ESMARE VAN DER MERWE,
Political Reporter

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7/1/89

The growing bargaining power of black community groups and trade unions in the field of adequate and affordable housing could contribute significantly to an overall climate of negotiation. So says Paul Hendler in a newly released book, "Paths to Power", published by the SA Institute of Race Relations.

The country's housing problems are spawning important consultations and negotiations between trade unions, employer bodies, community groups and ultimately the Government.

Bargaining power over housing and related issues could set an important precedent for future national negotiations.

The book, available from the institute for R10, is the third in a series on urban housing.

All three studies show how the economic and political problems arising out of the shortage of black housing are forcing a wide cross-section of groups to address housing and related issues.

Fierce hostility

In the process, despite fierce hostility between some of these groups, they are realising it is in all of their interests to jointly find workable solutions.

Mr Hendler notes that private developers, notwithstanding their reluctance to enter the political arena, might increasingly mediate solutions to urban conflicts to achieve a stable social climate more conducive to their activities.

The Government cannot address the housing crisis without the co-operation of private enterprise. Neither the Government nor private business can plan priorities without the agreement of credible township groups.

On the other hand, black groups have found they cannot address their constituents' housing needs through the policies of protest and confrontation alone.

They are also finding that piecemeal victories, gained through bargaining procedures, have wider advantages for them. Each success has led to greater grassroots support and thus greater all-round strength, including at the bargaining table.

Mr Hendler notes that business has become increasingly involved with providing township housing, be it as an employee benefit or as a profit-making enterprise.

Building industry boost

By **AUDREY D'ANGELO**
Financial Editor

A HUGE low-cost housing scheme by the Urban Foundation, due to start next March, should give a boost to the building industry early in 1990, the Stellenbosch Bureau for Economic Research predicts.

But apart from that its latest report on the building and construction industry suggests that the property market is entering "a slow to no growth phase in line with a cooling economy."

It expects office rents to fall, house and flat rents to remain static or come down and upper income house prices to fall.

"Home developers will have a hard time selling speculation houses and margins will be thinner, given the continual rise in input costs."

The report says architects and quantity surveyors found a very slight improvement during the third quarter of this year. "But both groups are expecting poorer conditions to prevail during the fourth quarter of 1989."

Property market SLOWS — BER

*Cape Town
14/11/89
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The report continues: "Regarding the results from the contractors and subcontractors, indications are that there has been a further slight improvement in the residential building sector since the previous survey."

"This is illustrated by the fact that ten-dering competition decreased slightly among both contractors and subcontractors."

Discussing the state of the property market, the report says that during the second quarter "the property market was giving all the confusing signals of a market top-ping out. Whereas some sectors were still

roaring ahead, others had already crept to a halt or started to reverse. "The recent 1% rise in interest rates virtually ensures that the property market will now be entering a slow to no growth phase in line with a cooling economy."

Discussing office rents, the report says: "The fizz is out of grades B and C space. The exception is Port Elizabeth, where grade B, its top grade, performed exceptionally well."

Discussing flat rents, the report says: "Cape Town flat rentals performed relatively well. However, for the rest it looks like flat rentals are stalling. This is quite possibly an indication that disposable incomes are coming under pressure."

It suggests that house prices are likely to follow the same pattern as in 1984. "We now expect upper class house prices to be hit relatively harder by a cooling economy."

It continues: "As before, we forecast that the growth of house prices and flat rentals over the next 12 months will be close to zero — and most probably on the negative side of zero."

Housing crisis provides lesson on negotiation

By KAIZER NYATSUMBA

The possibility of a negotiated settlement in South Africa would depend to a certain extent on bargaining over housing and related issues, according to recent studies by the South African Institute of Race Relations (SAIRR).

In a book entitled "Paths to Power", SAIRR researcher Mr Paul Hendler argues that the country's housing crisis is teaching both the Government and its opponents lessons about the mutual benefits of bargaining and mediating procedures.

Co-operation

The latest of three studies into housing and related issues conducted by Mr Hendler, "Paths to Power" says the economic and political problems arising out of the shortage of housing for blacks are forcing a wide cross-section of groups to address housing and related issues.

"In the process, despite fierce hostility between some of these groups, they are finding it is in all of their interests to find workable solutions. They are also finding that no one group can solve the problem in isolation from the others.

"The Government cannot ad-

dress the issue without the co-operation of private enterprise and neither Government nor private enterprise can plan or choose priorities without the agreement of credible township groups," writes Mr Hendler.

The time, he says, is now ripe for black communities to bargain collectively for affordable and adequate housing and in the process establish an important power base for themselves.

Mr Hendler writes that a collective bargaining strategy can pressurise the Government to provide greater subsidies and more housing land near centres of work. Changes brought about in this way, he says, will build up community confidence and provide a platform to press for wider changes.

Gain power

He says by winning concessions from the Government, representative township organisations can strengthen their independence and draw more residents into the political contest for control of the country's cities.

"This might provide a far surer way of gradually wresting power from those who monopolise it now than the creation of liberated zones," Mr Hendler writes.

Star 15/11/89

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Housing shortage 'acute'

127 000 houses needed each year

stew 16/11/89 (123)

By Kaizer Nyatumba

The acute shortage of housing for low-income people in South Africa was still a major problem facing this country, according to the Urban Foundation's annual report.

Released at the Foundation's annual general meeting in Johannesburg yesterday, the report says about 127 000 housing units will have to be provided to urban black families a year over the next 20 years if the housing problem is to be relieved.

The vast majority of people in need of housing were "very poor families".

Problems retarding progress in overcoming the housing backlog for low-income communities included:

- The identification of land for housing development.
- A poorly established regulatory framework and procedures to establish townships for urban black families.
- Delays in the process of title regis-

tration for individual house buyers adding significant costs to developers, who in turn pass them on to buyers.

- Local authorities' tendency to demand high servicing and housing standards "which impact on the potential to provide affordable housing".
- Lack of an appropriate institutional structure to provide long-term finance for informal housing.
- The Government's current housing subsidy does not greatly benefit low-income families.
- The lack of a clear a policy and regulations concerning informal housing.

The Urban Foundation's recently unveiled R20 million Loan Guarantee Fund, which will provide more than R1 billion in home loans for low income families and bond finance from early 1990, would go a long way towards addressing the housing problem, according to the report.

● See Page 18.

123 B. day 28/11/89

Home bonds with a bonus

LYNN CARLISLE

HOME buyers should ensure that their bond package is the one best suited to their needs before locking into a system that may not pay as well as expected.

While the new endowment-linked and unit trust-linked options in the mortgage bonds offer home-owners attractive short- and long-term savings compared with conventional bonds, there can be significant differences in benefits.

Comparing the options, UAL Merchant Bank senior manager (marketing) Peter Anschutz said savings, interest and flexibility over both the long- and short-term varied from one option to the next.

He considered flexibility a major consideration because of the home buying habits of the target market.

Findings by building societies indicated that SA's white yuppies sold their homes on average every five years. It was over shorter periods that differences between the innovations emerged.

Because the endowment guarantee operated only at the end of the term, it was ineffective unless the home-owner held the endowment for the full 20 or 25 years.

New links

"Should the borrower terminate the endowment-linked bond prematurely, the endowment investment is made 'paid up'. The surrender value is considerably lower than the amount paid in, and there are tax penalties if it is terminated within the first 10 years.

"The unit trust bond is more flexible and there is no penalty for selling early. Any refund amount would exceed that paid by an endowment," Anschutz explained.

The introduction of endowment-linked and unit trust-linked bond options has irrevocably changed the face of the home loan market. These products are expected to become widely-accepted, with similar products due to be launched soon by financial institutions which do not yet offer them.

New generation bonds include the Ned-growth plan, an option linked to the UAL unit trust (general equity fund), and the Standard's interest-only Lifestyle Endowment Bond, which is linked to a Liberty Life endowment policy at preferential rates.

The United has an option linked to a Commercial Union endowment while the NBS has choice of a home loan linked to its unit trust, plus another linked to a Norwich

COMPARING HOME LOAN OPTIONS

YEAR	CONVENTIONAL BOND COST	CONVENTIONAL BOND CAPITAL REPAYED	MONTHLY ENDOWMENT COST	ENDOWMENT VALUE	UNIT TRUST MONTHLY COST	UNIT TRUST VALUE
1.	1 645	163	R1 687,93	0	1 721	992
2.	1 645	361	R1 694,25	0	1 721	2 202
3.	1 645	602	R1 701,51	308	1 721	3 677
5.	1 645	1 251	R1 719,46	1 765	1 721	7 670
10.	1 645	4 583	R1 793,72	10 573	1 721	28 346
15.	1 645	13 455	R1 943,72	39 824	1 721	84 090
20.	1 645	37 082	R2 233,99	122 763	1 721	234 374
25.	1 645	100 000	R2 850,95	343 411	1 721	639 536

Life endowment combined with an accelerator plan, which shortens the bond repayment period.

While the other majors — First National, Trust Bank, The Perm and Allied — have not yet offered similar options, it is believed they are in the pipeline.

The unit trust and endowment-linked bonds enable the borrower to service only the interest on the loan through his monthly bond repayments.

The original cost of the home is repaid at the end of the 25-year bond period, although it can be paid earlier from the compound growth made on the unit trust.

Instead of reducing the capital portion, the new options make it possible to invest money from monthly instalments in either an endowment policy or a unit trust.

This covers the original cost of the home and can leave a healthy capital surplus, free of tax and interest, for the borrower.

Standard home loans division GM Terry Power said the Lifestyle gave borrowers an opportunity for bond-based money management and provided a tax haven in the form of an appreciating asset from the bonded property. It guaranteed repayment of the bond on expiry of the home-loan term, or on the death of the borrower.

Power said that for the first eight years there would be little difference between monthly instalments on Lifestyle and those on a conventional bond with mortgage protection cover.

"If the client elects to continue the policy for the full term of the bond, he could also receive a large, tax-free lump sum over and above the guaranteed amount required to cover the capital liability under the bond," added Power.

Comparing the options over the longer

term, Anschutz said only R15 000 of the capital of a conventional bond would be paid after 15 years, growing to about half on reaching 20 years. With an endowment-linked bond, barely half of the original value of the home-loan capital would have been repaid after 20 years.

However, he said the unit trust bond would have fully paid off the home in 15 years, assuming capital growth was the same as the UAL Unit Trust had recorded in the past two decades.

Bonus

Assuming 20% growth is realised, calculations show that monthly repayments on a conventional bond for R100 000 are lowest at R1 645, compared with R1 721 for the unit trust option and R1 688 increasing to R2 851 in the case of the endowment linked bond. Simply put, over 25 years the unit trust bond-holder pays R18 897 more than one who has taken out a conventional home loan; the endowment bond-holder pays R80 897 more.

The calculations further suggest that for a lower average monthly instalment the unit trust bond will yield a bonus of R296 000 more than an endowment bond after 25 years. There is no bonus from a conventional bond.

Thus the endowment-linked bond should earn R343 411, and the unit trust bond R639 536, before the original and outstanding home loan of R100 000 is deducted.

With a conventional bond of R100 000, R8 223 would have been paid off after five years with R1 251 of the bond capital repaid. An endowment-linked bond would have paid off R8 505, of which R1 765 was capital repayment, said Anschutz.

123 Bday 02/11/89

Few top quality homes on market

Business Day Reporter

RESIDENTIAL property prices are holding firm at the top end of the market, despite the credit squeeze and high interest rates, says Pam Golding Properties MD Ronald Ennik.

Prices are being boosted because of a dearth of sellers of top quality property.

"Prime homes tend to come onto the market only when it's at its peak, because at this level sellers know market trends and wait to maximise their investment returns.

"However, it would be naive for sellers to imagine that a drop in business confidence does not affect the buying market. Buyers are wary of investing," he says.

Ennik believes that the residential market will mark time until such factors as lower interest rates or a more relaxed political atmosphere introduce a new impetus. But the upward pressure on house prices is inevitable.

"Over the past 10 years, the increase in property prices has lagged behind inflation. As a result, our properties are mar-

kedly undervalued against Western world averages.

"The longer this trend continues, the greater is the pressure for prices to catch up. Historical trends show that property always retains its value, even in countries that go through upheaval," Ennik says.

The key to making an investment in residential property work, he says, is optimum gearing.

"Seen against the level of inflation in SA over the past five years, residential property might not appear to have performed as a top investment. Certainly cash buyers could have achieved better returns elsewhere.

"People who have made real returns are those who established the right relationship between capital and financing — for example, a 50% bond on, say, a R200 000 house with rental income covering the bond."

Numsa plans to put its money where its workers are

Weekly Mail Reporter
24-30/11/89.

THE National Union of Metalworkers of South Africa may invest part of the R3-billion assets of pension and provident funds in which its members are represented in low income housing.

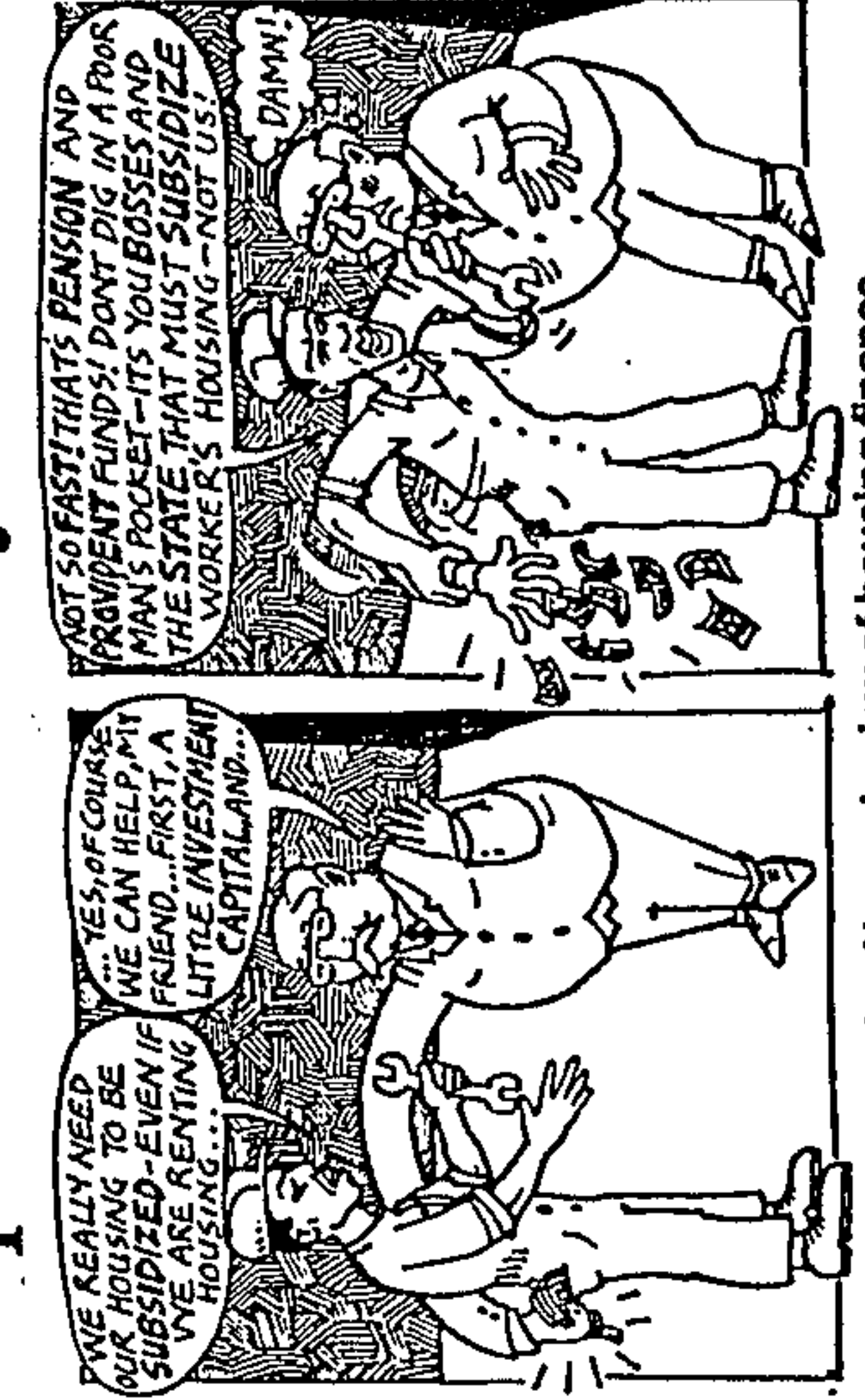
But the union opposes the use of these funds to subsidise individual workers' housing packages and will instead demand of employers a housing allowance, as part of its living wage campaign in the coming year.

Numsa's approach, one of the first comprehensive union statements on housing policy, is outlined by national organiser Geoff Schreiner in the first issue of *Trustee Digest*, a new journal for pension and provident fund trustees published by the Labour and Economic Research Centre.

Schreiner attacks the privatisation of housing provision, arguing it is the state's responsibility to ensure everyone has a house. Pointing out that more than five million South Africans are without shelter, he writes, "As long as housing provision is motivated by profit, the crisis will just get worse."

The union believes the housing crisis will only begin to be solved once there is a "genuine government of the people" and a restructuring of the economy.

But it will develop short-term policies based on a series of principles including worker control, working class unity and "compatibility with



A cartoon illustrating Numsa's view of housing finance

Graphic: TRUSTEE DIGEST

may direct funds to financial institutions which are prepared to provide small loans, particularly in rural areas."

Looking at the housing crisis, Schreiner cites as problems the lack of housing finance for those with low incomes, the fact that little low cost housing is on the market for sale and none is available for rent, the small state subsidy for housing which "discriminates against the poor and only assists home buyers", and insufficient land released for housing. "The little land that is released is sold to developers whose only interest is to make a profit. Land is not released to individuals or community groups," he writes.

Numsa has drawn up a set of demands for discussion with other unions and civic groupings at a national conference. These include:

- The abolition of legislation which restricts people's right to choose where they live — the Group Areas, Prevention of Illegal Squatting and Land Acts;
- Increased state subsidies for all housing needs, including rental, biased towards the low-waged and unemployed
- The release of sufficient suitably located land at affordable prices
- A large-scale national housing development programme to be negotiated with representative organisations
- An end to privatisation of services and proper state subsidisation of services.

should be invested in community projects, provided such investment does not jeopardise returns to fund members.

Numsa values the assets of funds in which the union is represented at R3-billion and, according to Schreiner, would consider directing pension and provident fund investments towards:

- Land — "to ensure some land is released at affordable, non-speculative prices to workers and their communities";
- Building activities — the union will consider investing in "low-cost building activities which will benefit the community", particularly site and service schemes, rental accommodation and rural developments;
- Financial institutions — "Numsa

the longer-term objective of state provided housing as a right".

Schreiner notes many companies have introduced home loan schemes which subsidise a portion of the interest on bond repayments. But workers are usually expected to use their pension or provident fund money as collateral for the bond.

"These schemes create divisions between better paid workers and those in lower categories and the unemployed, who cannot afford to own houses even with employer subsidies," he says.

The union believes the state and employers should subsidise workers' housing — not workers themselves. But Numsa does accept a portion of pension and provident fund assets

RSC levies hike to fund squatter areas

Cape Times 30/11/89

123 Own Correspondent

PRETORIA. Regional Services Councils (RSC's) could take up to R1bn in levies from the private sector next year to fund the escalating need for basic services in new housing and squatting areas.

RSC association of SA President Piet Loubser said yesterday total income from the payroll and turnover levies this financial year amounted to nearly R533m.

Not only are levies in some regions likely to be increased from the start of the new financial year in July, but a number of new councils will start functioning from January.

Loubser said from the beginning of the new year the Cape's total of RSC's would increase to 21 from the existing eight, the Free State's total will rise from one to three and Transvaal's will remain at 12.

And a bill which is expected to go through Parliament next year provides for the establishment in Natal of joint metropolitan services boards to be administered by the Joint (KwaZulu-Natal) Executive Authority (JEA).

The boards will be funded and will operate on precisely the same lines as the RSC's, it is expected there will be five boards with some probably operating from the start of the new financial year in July.

How building societies could ease bond defaulting

WITH rising interest rates, the problem of home repossession has become a pressing issue, particularly for black home owners in new housing schemes.

The woes of people who cannot meet increased bond repayments and whose homes are repossessed could be avoided if building societies and banks were to adopt a system of inflation-indexed bond repayments to replace the present home loan system.

Some relatively simple calculations demonstrate the advantages of this system over the existing one.

Assume new home owners take out a bond for R100 000 to be repaid over a period of 20 years. At interest rates of 20 percent this would mean bond repayments of about R1 710 a month. Assuming an inflation rate of 15 percent a year this represents an interest rate in real terms of five percent. To home owners with a disposable annual income of, say, R40 000, bond repayments will swallow up 51 percent of their income.

If both the inflation rate and the home owner's income continue to grow at 15 percent a year, while the bond repayments remain constant, home owners will after 20 years be paying off only a trifling

With bond rates around 21 percent, defaulting on payments is increasing. Economist A ROUKENS DE LANGE suggests a possible solution

3,6 percent of their income — which by this time will have risen to R570 000, although their purchasing power will have remained constant.

It is obvious something is amiss. What is needed is that bond repayments be indexed to inflation rates.

This can be done if we take the same example but adjust bond rates so that their real (after inflation) value — rather than their nominal value — remains constant over the 20 years.

Ignoring inflation in the first year and assuming a real interest rate constant at five percent a year, bond repayments in the first year would be R670 a month or 20 percent of the home owner's disposable income — considerably more manageable.

In the next year bond repayments would be increased by the inflation rate but presumably earning potential would

be adjusted by the same percentage. With this indexing system homeowners would still be paying 20 percent of their real disposable income at the end of 20 years.

The proposed repayment method does mean the amount the home owner owes on a house will increase in nominal terms for many years after the initial transaction, but in real terms this will not be the case.

For the first 14 years the amount they owe will rise, increasing their debt from R100 000 to R250 000.

This is rather unnerving. But the home owner would by the end of the 14 years be earning R246 000 a year and bond repayments would still represent only 20 percent of income. And with no greater financial burden than in earlier years they would still have paid off everything after 20 years.

For the banks and building societies which grant the home loan, the problem is they would not be able to survive if they lent money at five percent while having to pay a much higher rate for what they borrow. This is mainly a problem in the early stages of the loan — they will eventually get a return on their investment.

But if they treat the deficit as if it were a small new annual loan to the home owner, there need be no drastic change in the operation of the lending organisations.

Higher loan levels will make bonds less secure and the banks and building societies would have to keep close control of these. It would probably also be necessary to reduce the proportion of the purchase price which could be covered by the bond. Some form of government regulation would also be necessary. All these details would have to be investigated.

But the basic principle of breaking the throttling link between interest rates and bond repayment levels through inflation indexing is a desirable one. Its overall effect would be to increase the financial security of the home owner and to bring greater stability to the economy.

It is clear current inflation rates seriously distort the economic process and are ruinous not only for the home owner but for the entire economy.

● A Roukens de Lange is senior research associate at Stellenbosch University's Institute for Futures Research

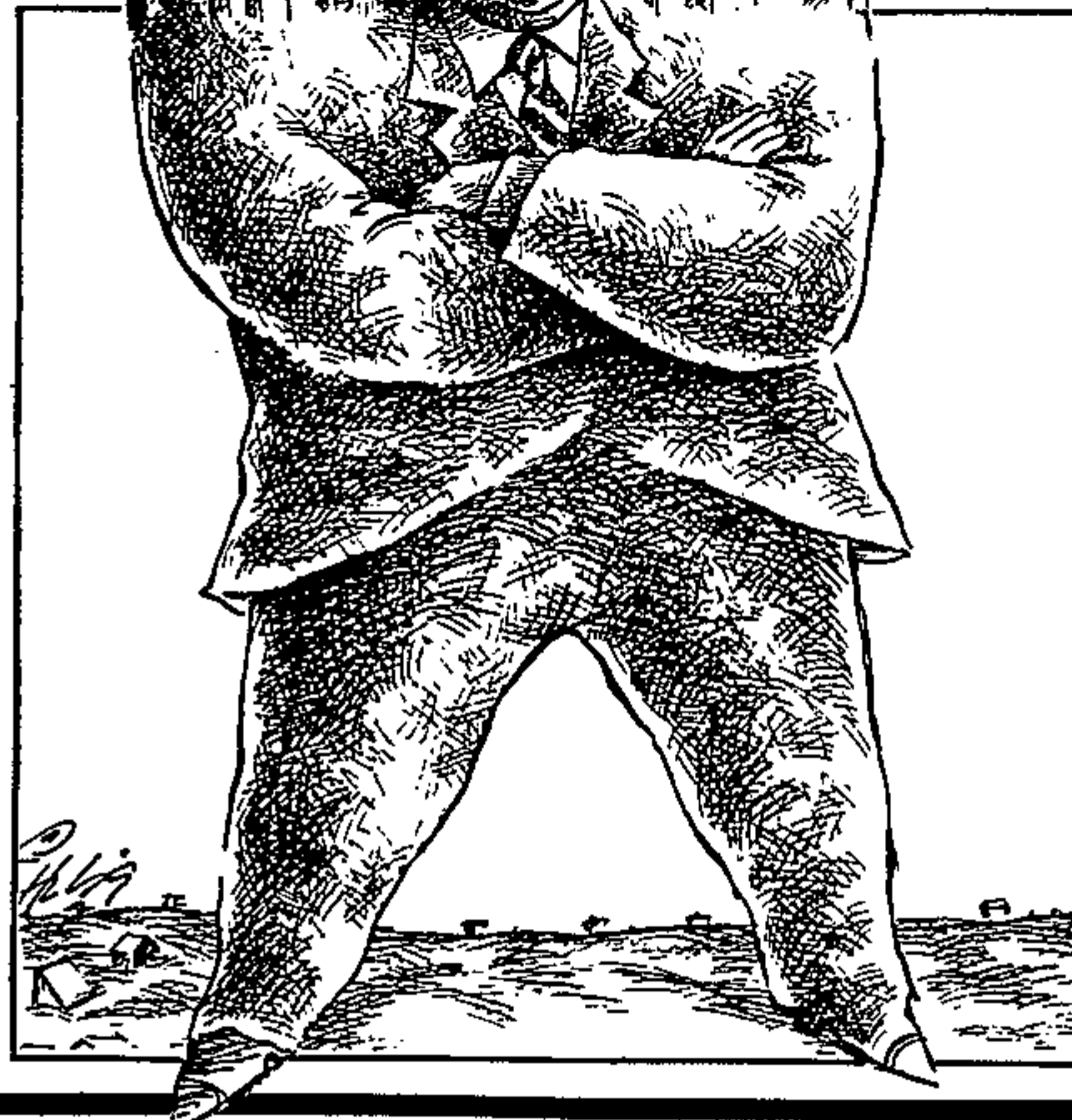
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BUSINESS

The hidden catch in the 'no deposits' house plans

Lower-income families are falling prey to building contractors who offer to build extra rooms on to houses with no deposit. What the clients don't realise is that their own houses are the security, reports CASSANDRA MOODLEY



LOW income group families are falling prey to a new scheme in which building contractors buy up their rented houses on their behalf and offer these to building societies as security for loans.

The contractors promise to erect outbuildings without a deposit — but the families are in danger of finding their houses repossessed should they default on loan repayments.

The Johannesburg-based advice centre body, the Advice Centres Association, says it knows of 10 cases in Soweto and Tembisa where people with building society loans for additions to their properties are under threat of losing their homes because they cannot afford the instalments.

What is most alarming, say advice office workers, is it is not explained to clients that they stand to lose their houses — which they believe they are merely renting — should they default on loan repayments.

ACA co-ordinator Thabo Ndabeni said: "It is becoming a common phenomenon for people to fall prey to building contractors who advertise that they will build two rooms and a garage without a deposit — all the prospective clients are in the lower income bracket.

"Clients fill in the necessary documents and the developer goes to a building society for a loan.

"The building society usually requires security and the developer — unknown to the client — suggests that the applicant's rented house be used as security.

"Subsequently the building society buys the house from the town council.

The loan covers the cost of the rented house, the cost of building the two rooms and a garage and the rent arrears on the house — because local town councils will only consider the application for sale of a house if all rental and services arrears are paid," said Ndabeni.

In addition to the price for the construction of the two rooms and garage the family now have the added cost of buying their rented house.

Clients who have gone to various advice centres are bewildered when they realise what the contract entails, said Ndabeni.

"In one case in Moletsane, Soweto,

the family wanted to build two rooms and a garage because their house was too small. They approached a developer who arranged the documentation for them. After the bond was registered and the repayment was indicated they realised that the amount was beyond their means.

"They then decided to cancel the deal but found that that was possible only if they repaid R8 000 — the amount used to buy their rented house from the town council."

ACA also said pensioners were being granted loans in this manner. "The developers use the selling technique that although the pensioner

does not receive a fixed income they can repay their loans by subletting rooms and garages — this puts rents for tenants at exorbitant rates.

Ndabeni said the SA Perm was involved in the 10 cases the ACA had documented. He said he was told by a Perm representative she had tried to explain everything to the clients.

Ndabeni said different developers were involved in each of the 10 cases. One of these was Compremark.

Tony Last, who described himself as the sole member of Compremark, said: "My company ensures that every single client whose house is paid for by building societies, is aware of

this fact because Compremark explains this to them."

In another case, in Tembisa, when the client realised his house had been bought by the financial institution he decided to cancel the contract. However, he had to pay the administration costs and the price of the house.

Ndabeni described how the ACA answered an advertisement for a contractor who built outbuildings without stipulating a deposit. The company refused to divulge details until a contract was signed. The contractor would only disclose that no deposit was required.

Ndabeni said the contractors are primarily at fault in persuading clients to sign legal documents without verifying that they have read and understood these. The developer is paid out and the client has to contend with a bond on his house.

Building societies were also at fault for not doing a follow-up consultation with clients to explain the legalities.

The town council is also duty bound to inform the homeowners they have received applications for purchase of the houses.

However, the ACA points out town councils also stand to gain, because the schemes help alleviate the three-year rent boycott in Soweto and Tembisa by bringing in money to cover rent arrears.

Five cases in Moletsane, Soweto, have been resolved but ultimately the client had to pay out the cost of the house and administration costs.

The ACA is hoping to take a test case to court to query the right of building societies to grant loans to people who do not have the ability to pay these off.

A representative of the Perm's media relations department, Amanda André, said the Perm "is in full support of the practice to finance the addition of two rooms and a garage to existing properties in certain areas.

"However it is not the Perm's responsibility to scrutinise every developer or building contractor, but we do carefully screen every bond applicant to ensure that his income is sufficient to cover the bond repayment. Further our agreement is with the bond holder and not with the developer.

"Homeloan centres and advisers in our branches are specifically geared to the education and assistance of applicants.

"It is unfortunate that many applicants, and this is not restricted to black people, do not fully understand the implications of building contracts and mortgage bonds but I can assure you every effort is made to explain the process.

"It is sad that people fall prey to unethical developers at their considerable cost," she said.

Final 1/12/89.

seriously enter the lower end of the black home loan market, where the need for housing is most urgent.

The experiment in KwaZulu intends to prove that the risks involved in financing low cost housing are not as great as perceived.

The co-operation between the two organisations, the housing trust which is a national, joint private sector-government agency and the KwaZulu Finance and Investment Corporation, which is the economic arm of the KwaZulu government, makes sense. Funds and effort will not be wasted through duplication, as has happened in the past.

Progress is also being made in other areas to make affordable housing available to blacks. The Urban Foundation's utility company, FHA Homes, recently launched a scheme to sell two-bedroomed houses and land to buyers for R28 000. The first of these homes will be built on 500 stands acquired in Vosloorus, east of Johannesburg.

FHA Home's operations GM John Weaver claims it's possible to get prices down to this level by streamlining procedures, offering only two designs and removing the frills that go with housing packages.

Two leading financial institutions have offered finance for the scheme. Weaver regards this as a breakthrough.

Previously, financial institutions and local councils demanded that housing be of a much higher standard.

The foundation recently launched its loan guarantee fund.

Its residential development

division claims if blacks take full advantage of the the first-time homebuyer's subsidy scheme and provided most financial institutions base their assessment of what a homebuyer can afford on family, rather than individual income, 40% of black families will be able to afford the lower loans available through the guarantee fund. At existing interest rates the required basic household income is R584 a month.

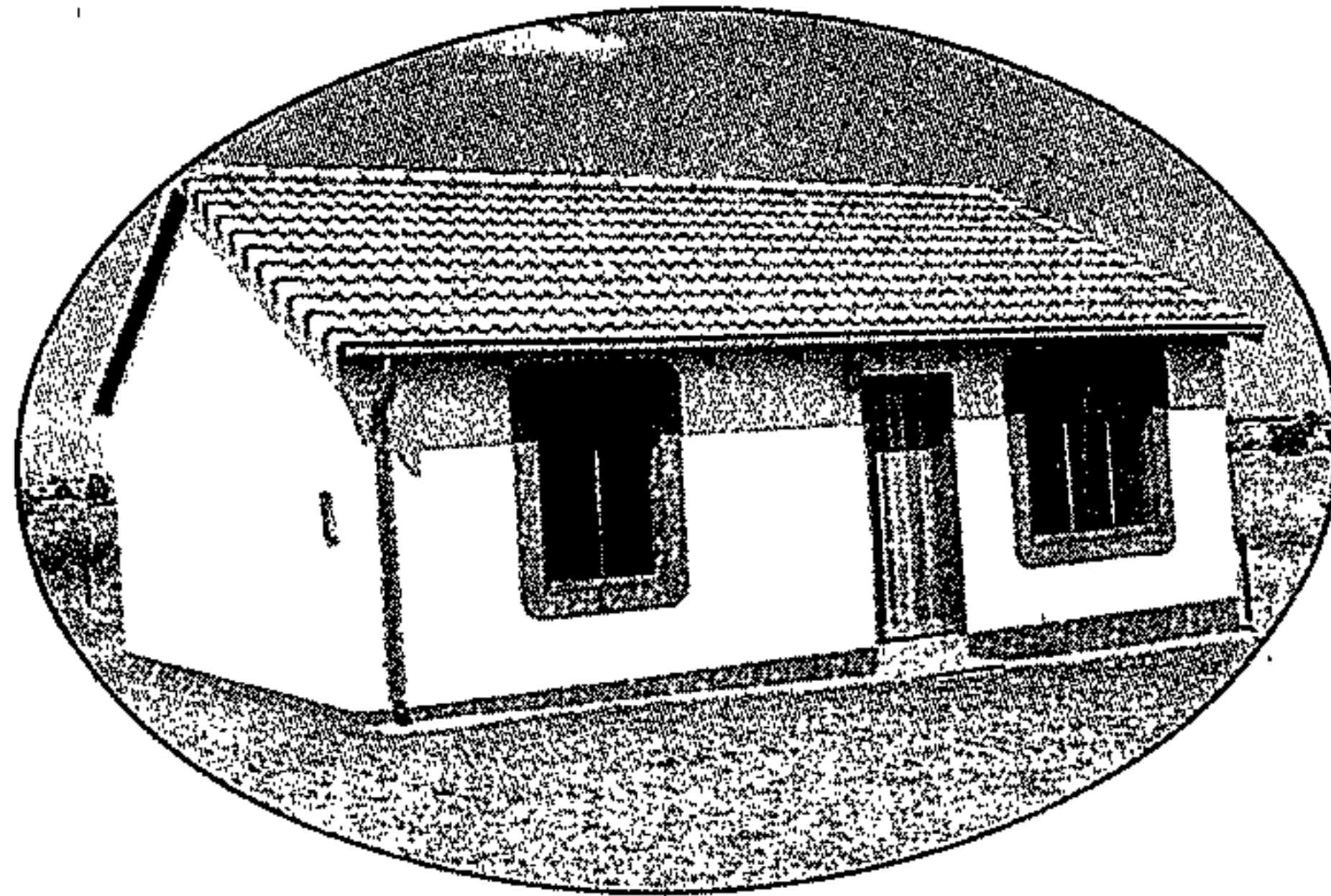
The foundation is also still lobbying for improvements to the government housing subsidy system to encourage the private sector to play a more meaningful role in providing lower income housing.

BLACK HOUSING

New initiatives

Last year it was estimated that the housing shortage in KwaZulu stood at about 100 000 units — more than the total number of houses currently in the homeland.

Since then, the housing shortage has become even more critical. It is fast becoming



Black housing ... R28 000 with land

the most serious problem facing KwaZulu and Natal.

The SA Housing Trust has subsequently entered the picture by agreeing to make a R100m loan available to the KwaZulu Finance and Investment Corporation to finance low-cost housing. It took more than a year for the corporation to persuade the housing trust that it had the expertise to manage the funds.

The initial R100m has been allocated for the installation of services and for low interest loans of up to R20 000 each to be made available in the next 18 months. It won't solve the housing crisis, but it will help to make a significant dent in the backlog.

Even more encouraging is that the loan is not a one-off deal. The housing trust will make a succession of R50m loans available for housing in KwaZulu and Natal, through the corporation, as funds become available.

Despite some encouraging moves a few years ago, private sector financial institutions are still concentrating on the top end of the market and appear to be reluctant to

1 000 homes seized for debt

CM-Times
2/12/89

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By PETER DENNEHY

MORE than 1 000 houses and flats were "sold in execution" in South Africa in just three weeks of last month, according to official lists in the Government Gazette.

This represents a significant jump from last month's total figure, which Mr Jan Cronjé, a director of the SA Co-ordinated Consumer Council, estimated to be 800 countrywide.

Mr Cronjé said a rate of over 1 000 sales in execution a month was alarming, since there were only about 900 000 existing housing loans in the country altogether.

"Sales in execution have taken place at about 800 a month for a few months, but earlier this year the rate was lower," Mr Cronjé said.

The Cape Times found that 1 095 houses and flats were sold in execution of debt in the three

weeks of November 10, 17 and 24. The figures were obtained from the Government Gazette.

Undeveloped plots and portions of farms sold in execution were not counted. Nor were houses which were sold as part of insolvent estates, which are gazetted separately.

Of the 1 095, the Western Cape total was 198, with weekly totals of 85 in the first week, 58 in the next and 55 in the third week. A large portion of these went through the Kulls River and Wynberg Magistrate's Courts.

Most of the sales in execution took place in the Transvaal (556), followed by the Cape as a whole (265), the Free State (179) and Natal (95).

Mr Tim Hart, executive director of the Association of Mortgage Lenders of SA, said it was not possible to provide any statistics on how many other owners were

renegotiating their bonds to avoid losing their homes.

The rise in the number of sales in execution would not be related to the drying-up of funds for the first time home buyers' subsidy, he said, as those who qualified and had homes already continued to receive the benefits.

Mr Pat Acutt, a past president of the Institute of Estate Agents, said from Durban yesterday that he doubted whether even the present high rate of sales in execution would drive down home prices.

Mr Ampie Swarts, assistant general manager of the United Building Society, said his institution alone — probably the biggest in home loans — approved about 5 000 new loans a month.

Demand for new loans had dropped in just some sectors, such as the coloured market in the Western Cape.

Major push to raise

housing aid

By MAGGIE ROWLEY
Business Staff

A MAJOR campaign to have the first-time homebuyers subsidy extended has been launched by the National Association of Home Builders (NAHB) in a urgent attempt to prevent further deterioration in the home building industry.

National chairman of the NAHB, Dr Llewellyn Lewis said today that unless the subsidy scheme was not only continued but extended "the bottom will fall out of the industry".

He said that contractors had reported major drops in turnover in the past year due to the affects of higher interest rates. If this trend was allowed to continue without extended relief from the first-time homebuyers' subsidy the livelihood of many in the industry would be threatened and attempts to correct the serious housing shortage would grind to a halt, he said.

Dr Lewis and a top level deputation from the NAHB this week held separate meetings with Mr Sam de Beer, Minister of Housing in the House of Assembly, Mr David Curry, Minister of Housing in the House of Representatives and Mr Chris Stals, Governor of the Reserve Bank to lobby for a higher sub-

sidy allocation in next year's Budget.

A confidential document, prepared by the CSIR for the NAHB and presented this week to the Ministers and the monetary authorities, states that fluctuating interest rates have had a severe effect on the levels of affordability of prospective homeowners and consequently on the effective demand for housing. However, the first time homebuyers subsidy had to some extent cushioned the effects of rising interest rates.

In the case of whites the most marked effect were for loan amounts of R30 000 or more. While approximately 81 percent of whites can afford a loan of R30 000 at a 12 percent rate of interest only 68,9 percent could afford it when interest rates reached 20 percent. With a subsidy the number of people who could afford the loan at 12 percent rose to nearly 94 percent and at interest rates of 20 percent, a R30 000 loan was affordable for nearly 88 percent of whites.

In the case of the coloured population the most marked effect was at loan levels of R10 000 to R20 000. While 42 percent of this sector of the population could afford such loans when interest rates were 12 percent this dropped to only 23 percent when interest rates reached 20 percent. The subsidy boosted the number of people who could afford the loan to 55,3 percent at 12 percent interest rates and 36,4 percent at interest rates of 20 percent.

The report states that 69 percent of Asians could afford a loan amount of R20 000 with a 12 percent interest rate. With interest rates of 20 percent this

P.T.O

Home prices continuing to hit record highs

Stow 2/12/89

FRANK JEANS

NEITHER high bond rate levels nor tight economic conditions have stilted the continuing demand for homes, which has resulted in prices hitting unprecedented heights.

The magical upmarket tag of R1 million is now almost a memory as properties in prime locations nudge the R3 million mark.

And values won't be stopping there, for potential buyers are convinced that a home bought today is tomorrow's bargain, so that there is consensus in real estate circles that, barring any disturbing factors, the boom will continue unabated in 1990 and be prodded even further with the expectation of a drop in interest rates.

A clear indication of the growth in the market is seen in a breakdown of average prices in selected areas, with Alberton (Brackendowns) posting a dramatic surge — R75 000 in January to R107 000 in November, an almost 40-percent increase in only 11 months.

Purple patch

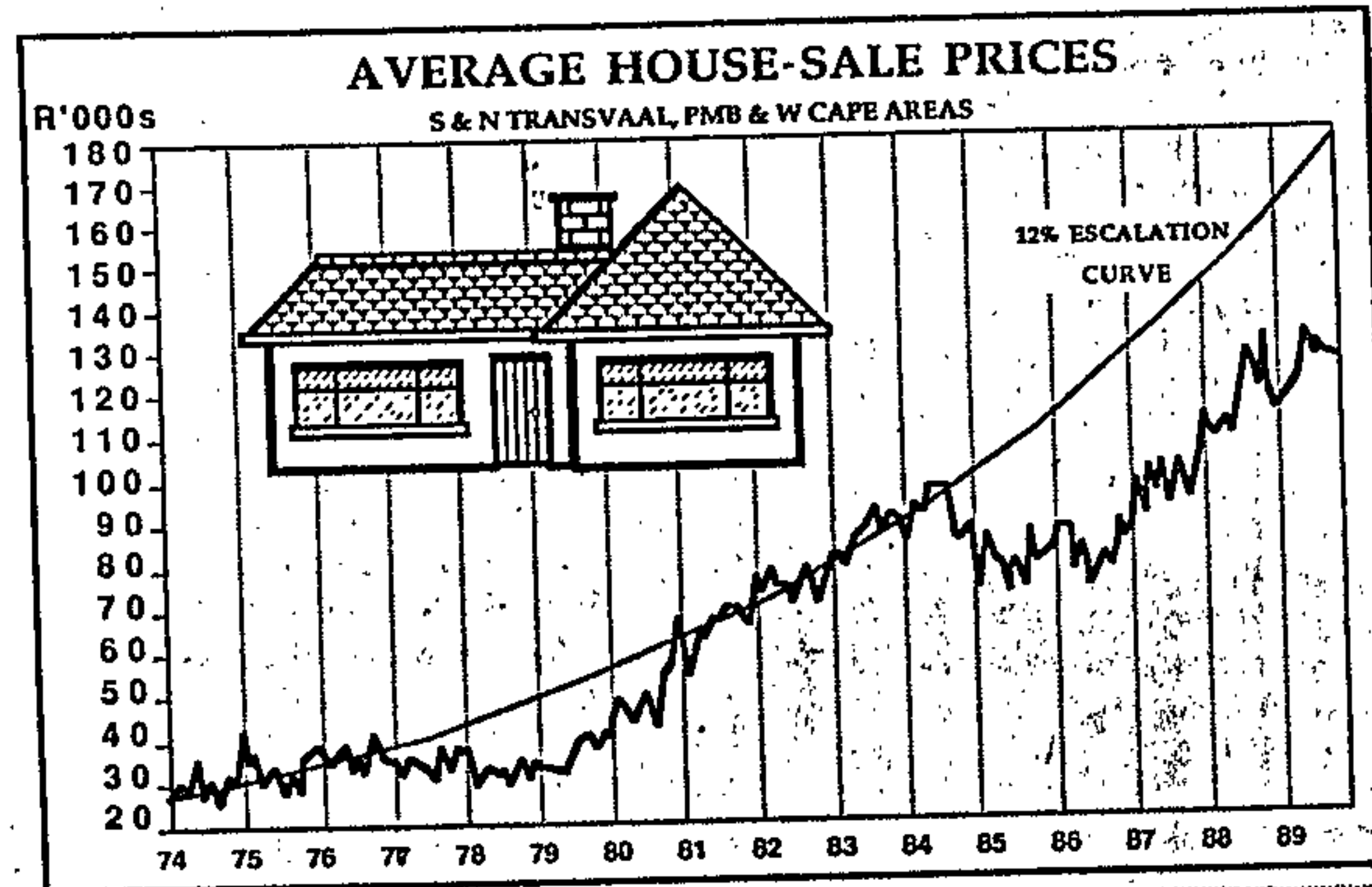
At the other end of the scale, Sandton's overall average was R196 000 at the beginning of the year, whereas the November figure had soared to nearly R230 000.

The purple patch of the municipality, Sandhurst-Hyde Park, has seen home values rise from as high as R1 million to almost R3 million.

Ms Nina Obel and Ms Michelle Gilbert, of Aida Real Estate, recently sold a top property in the area for the latter amount and another for R2,8 million.

"Stands in Sandhurst-Hyde Park have shot up from R350 000 in January to R550 000, with one site going for R650 000," says Ms Obel.

Randburg recorded a R25 000 increase on average sales (R110 000 to



Property's surge in 15 years

THE graph, compiled by Basil Elk Estates, shows the surge in property prices over a 15-year period. The most dramatic rise has been in the past 10 years. In 1979, the average price was in the R35 000 range, while this year the figure is close to R135 000.

The dip registered in 1985-86 was the result of a three percentage point rise in the Bank Rate in August 1984 which seriously affected an already depressed property market.

The 12 percent curve represents Elk's projected annual compounded esca-

tion in house prices and indicates what house prices should be based on statistics covering the past 15 years, which take into account inflation, the Government's fiscal policies and socio-economic events.

"Houses, therefore, are still under priced. The actual average should be at the curve level," says Mr Elk.

"Home prices still haven't recovered fully from the 1976-78 periods of unrest but I have no doubt that they will ultimately reach their proper level."

R135 000) for the year, while Pretoria's figure has risen from R126 000 to more than R137 000.

On the other hand, reverberations of Boksburg's recent Conservative Party rule have had a marked effect on the homes business, with prices of the more expensive properties dropping.

Mr Andre de Klerk, manager of Basil Elk Estates in Boksburg, says: "People were not prepared to risk investing in expensive property in an area plagued by political dissatisfaction.

"The Government's announcement that Boksburg is now an open area was tremendous news.

"Things will definitely improve in the top end of the market now."

Mr Basil Elk, chairman of the group, is confounded by the strong market conditions on the back of high bond rates and puts this down to the fact that along with demand, there has been a shortage of housing stock.

"I am concerned, however, about prices maintaining their level if interest rates are increased further."

He takes a side swipe at the multiple-listing set-up which, he says, has resulted in "hoards of agents descending on the privacy of homeowners," and created a "negative feeling among agents, buyers and sellers alike."

Market buoyancy has spread to all other residential property sectors, including coastal and

country.

The former has been particularly vibrant throughout the year, with seaside homes from the Cape to Plettenberg Bay commanding premium prices.

Cape Town's golden stretch, from Sea Point to Bantry Bay, remains South Africa's most expensive property area, but northwards at San Lameer the villas are now at the R325 000 level — a 620 percent increase on the R45 000 when the development came on the market 10 years ago.

Mr Allen Usher, director of resorts and developments of Camdon's Nationwide, says: "At Anglo American Properties' project, Santorini, north of Durban, the

Greek-theme homes first came on to the market in 1986 at R125 000.

"Prices in the current phase of the development are pitched at R375 000."

It's the same story in beachfront land, with Mr Usher recording South Coasterven which a decade ago changed hands for R12 000 now fetching R150 000 to R180 000.

In country living, too, the once-forgotten few "in the sticks" are now an elite as their large properties take off in value.

A leading country estates agent, Mr Alfen Denton-Miller, says: "Recently, we sold a small riverside property for R232 500. Exactly three years ago we sold the same home for R140 000 — and at that price it was not an easy sale."

As the price pressure cooker stays on the front burner, the big question among young prospective buyers must be: "Are we now virtually excluded from homeownership?"

Preserve of rich

Indeed, is South Africa approaching the time when property possession is the preserve of the wealthy as it is in many countries abroad?

In the light of present demand and take-up of housing stock, it might well be remembered that 10 years ago, few people believed that home would reach present levels and still be affordable.

Mr Scott McRae, managing director of Camdon's, is highly positive about trading conditions next year.

"The rise in the bond rate has not frightened off buyers to the extent that was expected. Prices have already discounted a further bond rate rise and the market is currently taking a breath before another upward cycle after one of the most powerful surges ever, during the past three years."

The Top 100 Companies 1989

Property takes a pause

THIS year was both good and bad for the property business. It saw a number of new trends - from changes in home-owners' preferred property choices to the growth of the multi-family.

With the three point interest rate hike to 21%, the number of foreclosures on homes rose from 120 a week in 1988 to nearly 400 homes being repossessed weekly this year.

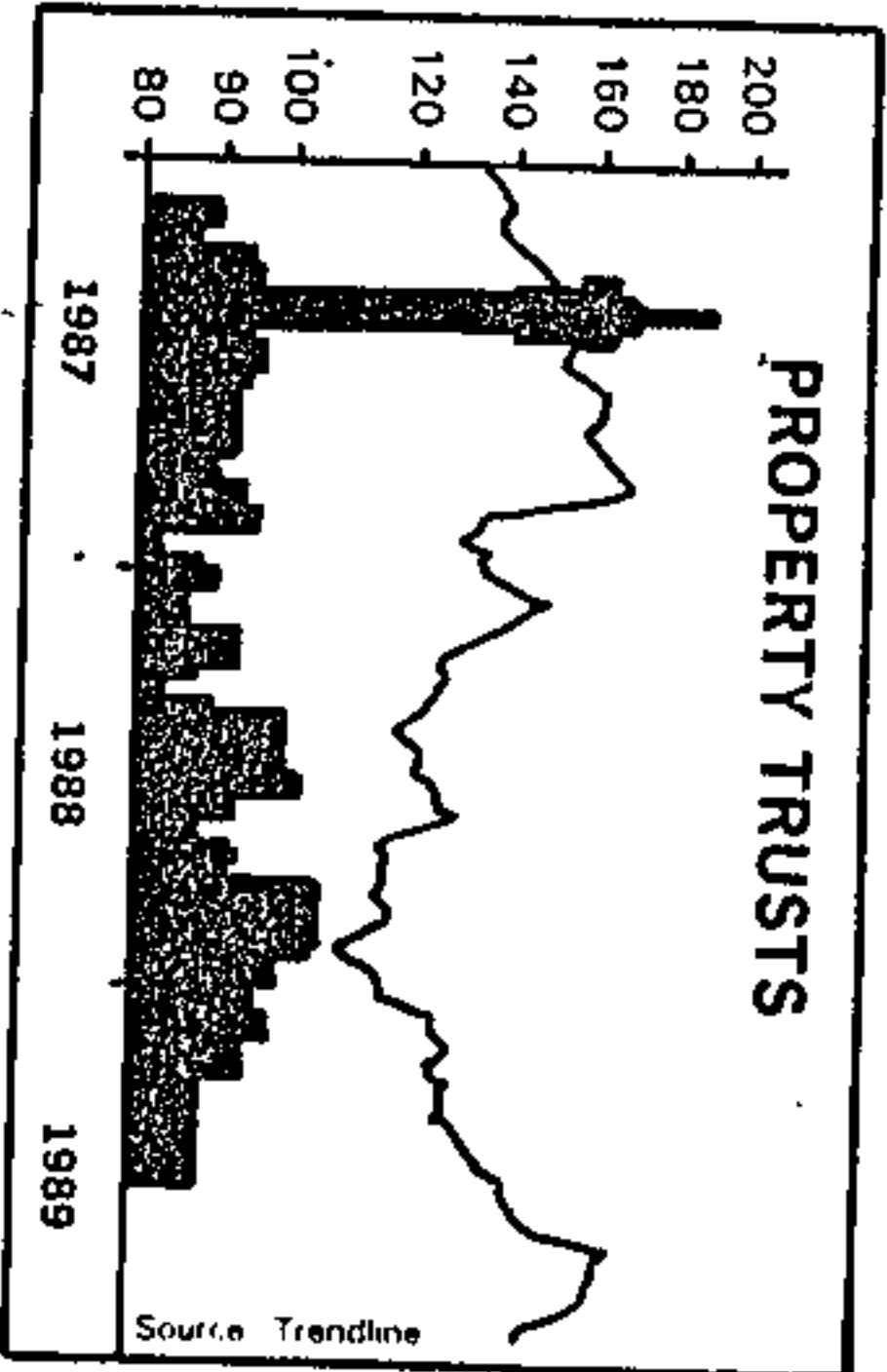
Worst affected, lending institutions say, is the lower end of the market (under R100 000). The latest information shows that thousands of home owners are in arrears.

White market

Property economist Neville Berkowitz believes that this year's repossession rate is the aftermath of last year's increases when rates rose from 13% to 19%.

It takes at least a year for decreases to have a real effect on the market," he says.

At the top end of the market (homes costing R300 000 and up) things "have never been so good". There has been a dramatic increase in the price of top-end properties, and homes worth R300 000 or more are being snapped up by those who believe that the rand has a



By Charmain Naidoo

Reducing value. People who can afford to invest in property, which they see as a financial haven for their eroding funds.

Again, Mr. Berkowitz predicts that with the downswing in the economy, this market will soften and slow down in the coming year. There has been an interest-lag trend in the white property market - mainly in the 45 years and upwards age cate-

gory - where there has been a move away from free-standing homes to cluster villages. The increased crime rate and subsequent concerns for security are some of the reasons given by experts for this scaled-down luxury trend. Because of the greater de-

mand for townhouses, retirement villages, luxury high rise accommodation and cluster homes, prices for such units have risen steeply.

Black market

In the black housing market, the upper end of the market (R175 000 and up), until early this year a buoyant one, has seen a slowing down.

The shift has been to the lower end of the market, where homeowners have downgraded to affordable levels.

Urbanisation is perhaps the strongest influencing factor today and has had a very definite effect on the property market.

The most exciting announcement made this year was the Urban Foundation's R3-billion housing scheme, which is expected to provide 40 000 new homes a year for about 250 000 people in lower income brackets, both black and white.

In a city like Durban - the second fastest growing city in

Lower end of market hit by bond hike

the world, with a population of four million - the need for housing and an infrastructure providing basic services is enormous.

The white housing market has been on a long-term declining trend since the early 70s. Figures provided by the Property Economist show that, in 1974, 27 750 houses were built for white owners. This year, only 16 100 houses

are likely to be built (this excludes multi-unit dwellings like flats, sectional title, clusters, etc).

Says Mr. Berkowitz: "For this reason, existing home prices are rising. The cost of a new home is around 35% more than that of an existing one. These factors impact on rising prices," he says.

This year the Government changed the law forbidding foreigners to acquire residential property using financial funds.

Office markets have been fairly strong throughout 1989. Since August/September, there has been a slowing down in demand for space. The downswing in the economy has encouraged caution, with businessmen adopting a "wait and see" approach.

But in Johannesburg's Braamfontein, Parktown and Rosebank there is limited A-grade space available for immediate occupation. However, in all three there are planned supplies which should come on stream in two to three years "in time for the next upswing," Mr. Berkowitz predicts.

In the Pretoria, Durban and Cape Town CBDs, there is a shortage of A-grade space. But in all three cities, again space will be available within two to three years.

The Durban CBD has been hard hit, and some rentals have hit the R30/rrf mark. In both Johannesburg and Sandton, there is no shortage of space in the CBDs.

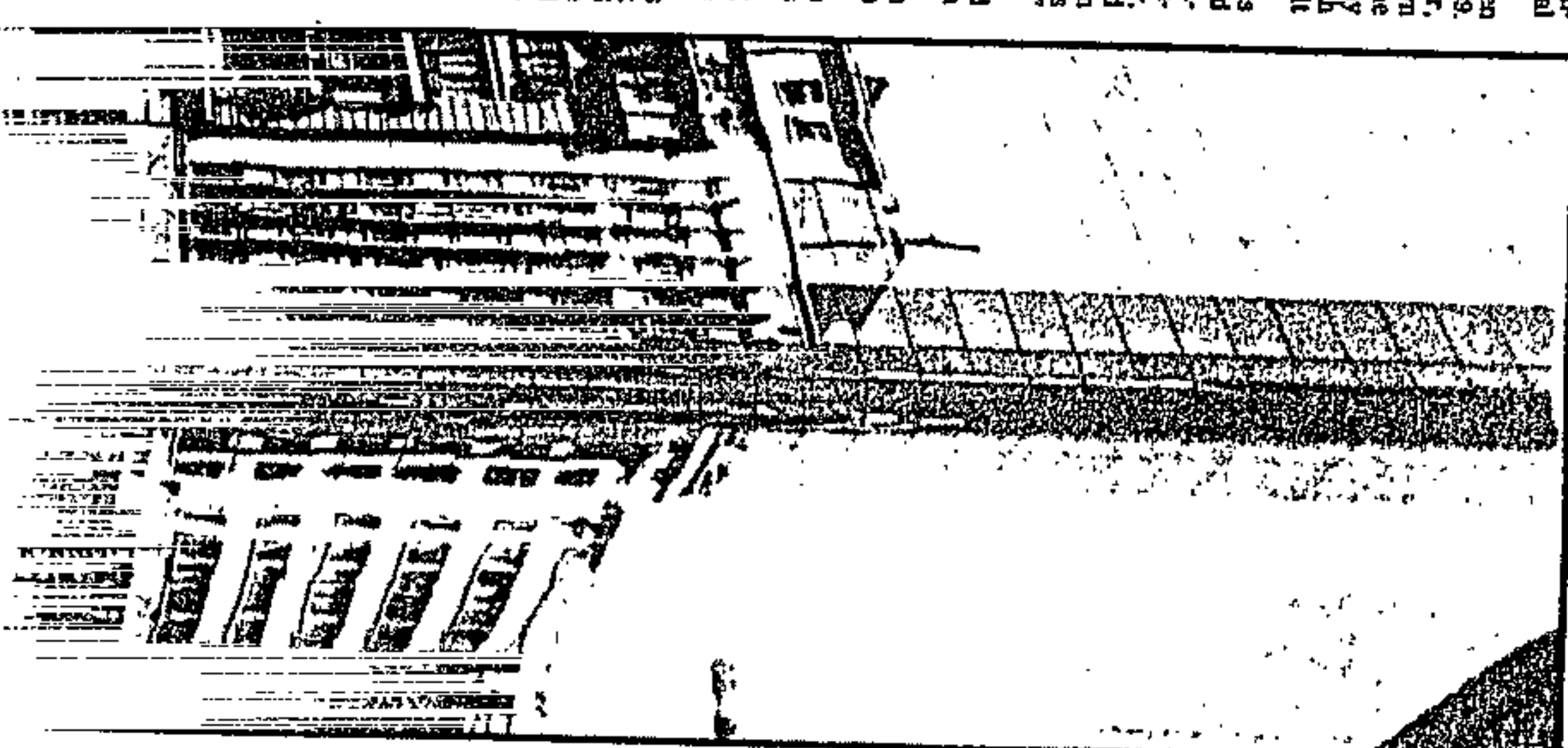
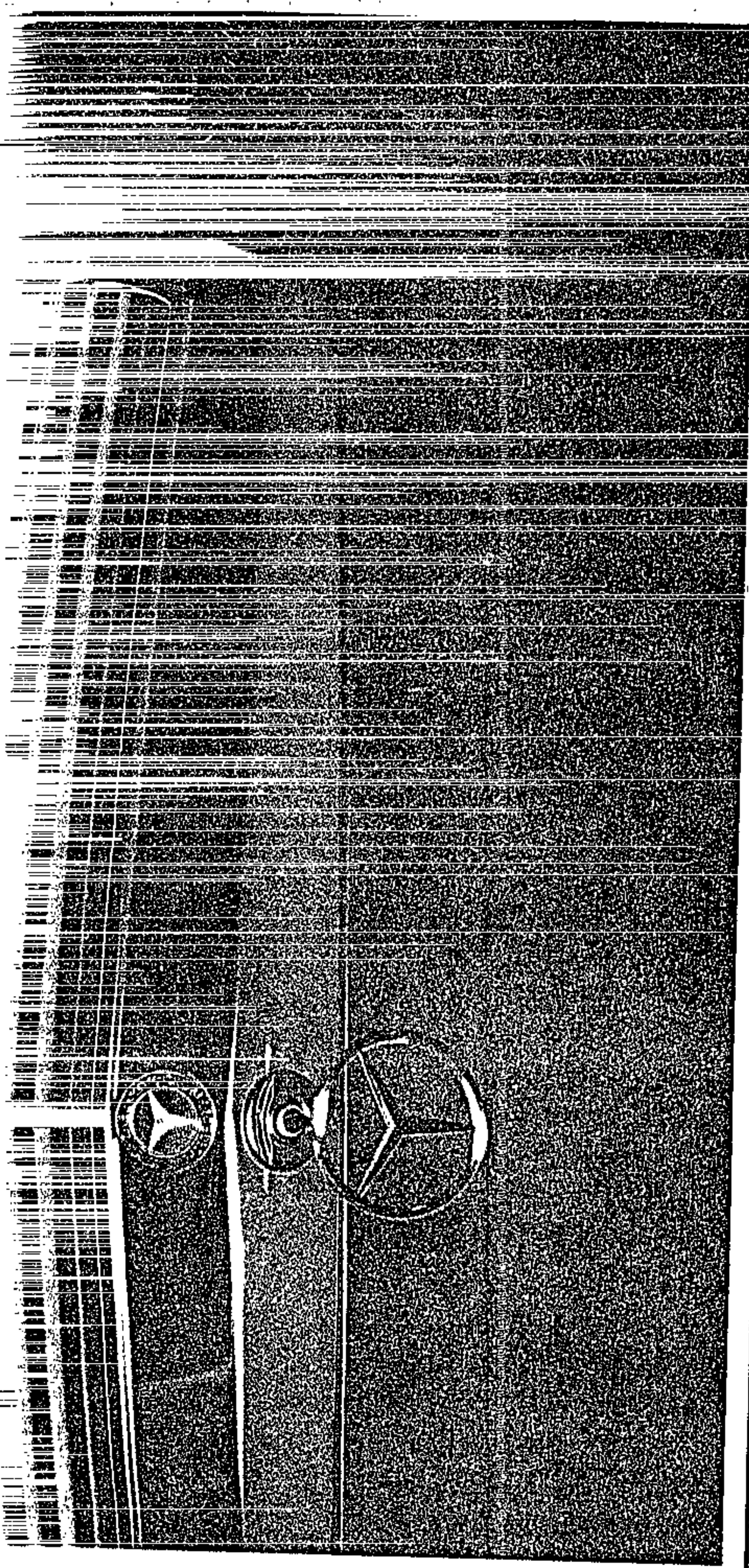
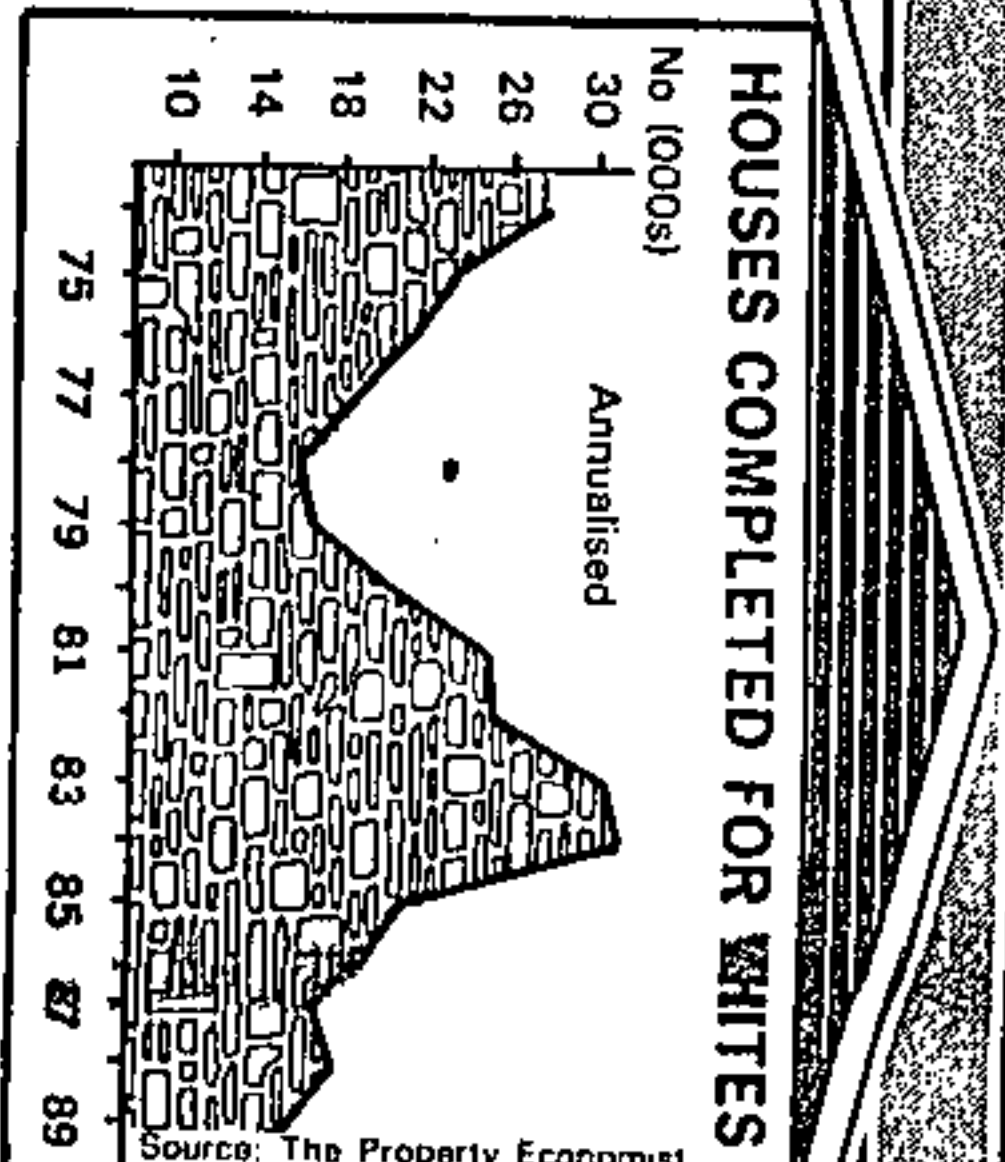
Work in progress includes First National Bank's Bank City and Old Mutual's 1065 and 1069 projects, and the city council has also called for tenders for the development of portions of Newtown.

But is Johannesburg moving fast enough? Anglo American Properties managing director Gerald Lessner says Johannesburg needs more action, particularly from the city council. If it is to keep pace with the dramatic growth of the city, of which the Golden City is the hub.

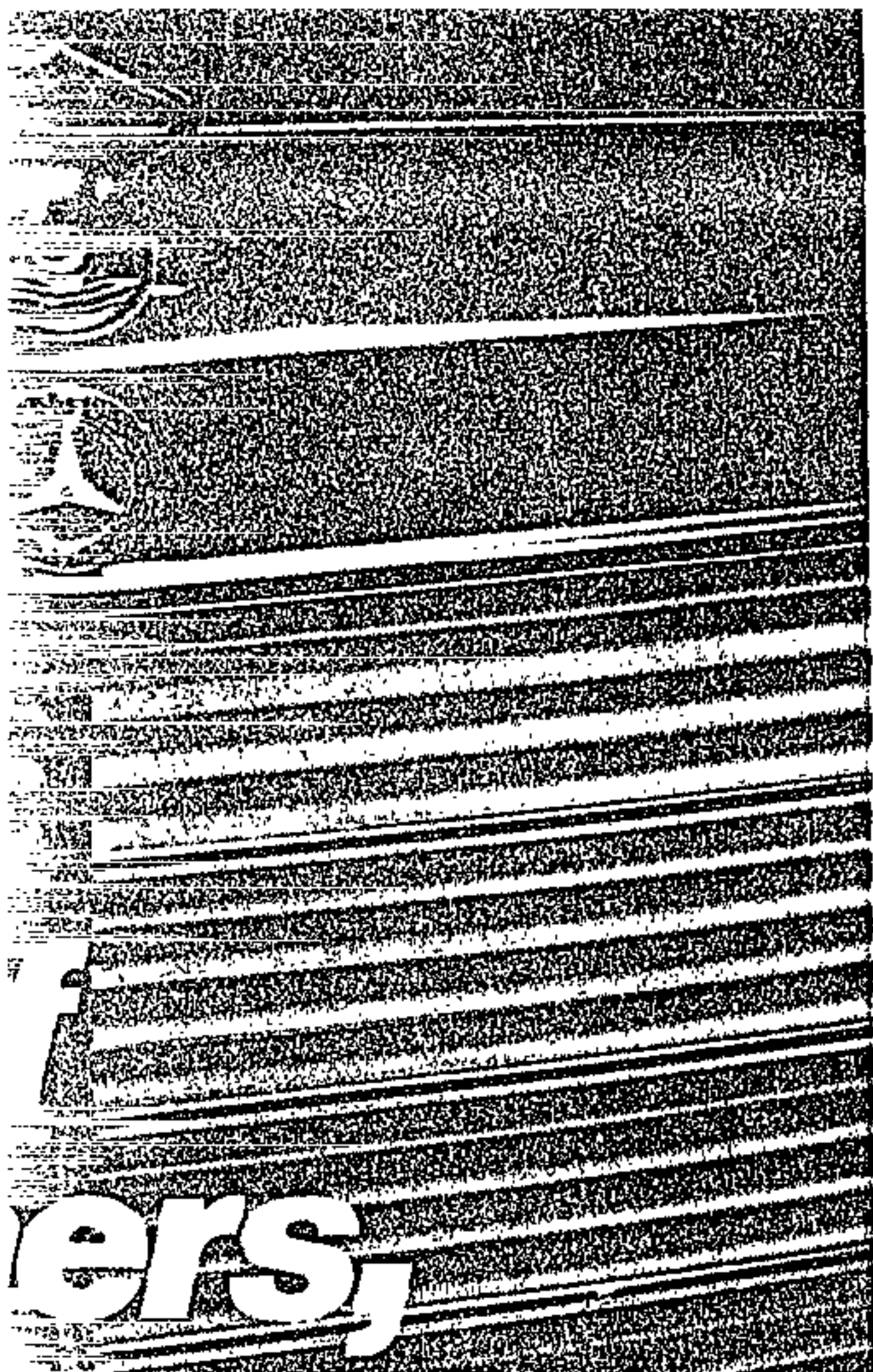
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Retail

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LINDSAY SMITHERS-FCB 9090

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But is Johannesburg moving fast enough? Anglo American Properties managing director Gerald Leissner says Johannesburg needs more action, particularly from the city council, if it is to keep pace with the dramatic growth of the PWV, of which the Golden City is the hub.

Retail

"While we recognise there have been important developments in recent months, Johannesburg needs to move much more quickly towards its goal of renewal, expansion and revitalisation," he says.

The decentralisation trend continues as mainly white, white-collar workers move out of the CBD. Those companies who employ mainly black staff are still forced to stay within the city limits because of the extensive infrastructure network — transport, easy shopping.

In the retail sector, urbanisation has led to changes. Figures show that 34% of retail spending is on food.

Spaza shops, with a turnover of more than R7-billion a year, and hawkers have flourished to meet the needs of the masses.

Growth opportunity in the retail property market is in the CBDs, where there is increased black spending.

White consumers are moving out to the suburbs to shop at one-stop shopping centres and another large development to match Eastgate and Westgate has been planned for Johannesburg's southern suburbs called Southgate.

Industrial

The Government Physical Planning Act restricts the development of factories in urban areas and offers incentives for manufacturing companies to decentralise.

The latest figures show that two out of every three factories planned are in decentralised areas.

Wayne Wright, director of the industrial leasing division of JH Isaacs Group (Transvaal) believes there is no shortage of companies looking for good, well-located industrial premises.

He says several "big players" have entered the arena for space ranging from 5000m² to 20 000m².

The mini-factory trend continued throughout this year. Small factories around 250m² are springing up around the country.

Mr Berkowitz says: "That is where the real growth lies, and this could be an important factor in the '90s — a scaling down in operations in keeping with the economy."

About R2 000-million a year from insurance companies and pension funds is being poured into offices, industrial premises and retail.

Most institutions, Mr Berkowitz believes, see that the office part of their exist-



REFLECTIONS: In-vogue glass is giving downtown Johannesburg a new look

ing portfolios has performed best over the years.

"Most institutions don't have the management manpower to control retail centres and perceive that retailers have been overdeveloped in most areas."

This has been a good year for property unit trusts, with the index starting 1989 at 116, with a yield of 10.6%, and now standing at 149, with the yield at 9.5%.

Says John Rayner, property analyst at Max Pollak & Freemantle: "The index is, however, still way off its pre-crash high of 171."

"The recent strength of the sector reflects the reclassification of property trusts as fixed property, as opposed to its previous classification as equity for purposes of prudential investment guidelines regarding the new prescribed asset requirements." Life assurance companies and pension funds may now invest a maximum of 30% of total assets in property and 65% in equities, but combined may not exceed 85%.

"Essentially, financial institutions have increased their property exposure, leaving more investment funds for direct equities."

Mr Rayner predicts that both property trusts and loan stock companies' distribution growth for "at least the next two years" will reflect growth in excess of normal escalation.

Frankel Kruger and Vinderline property analyst Niki Vontas, director of the Board of Executors' properties, points out that analysts and property professionals simplistically report a modest capital per-

formance of the property trust sector and other property related equities over the last five years.

"In doing so, they have omitted a major factor from their analyses — the long-term aspect of property investments and the importance of timing."

"When assessing property investment performance and equities, the commencement and the end of the period of comparison is very important."

Mr Vontas's research shows that the fixed property market peaked in June 1983 with prime office rentals in excess of R15.50/m² in the Johannesburg CBD, R16.25/m² in Parktown, R16.50/m² in Rosebank and R14.90/m² in Sandton.

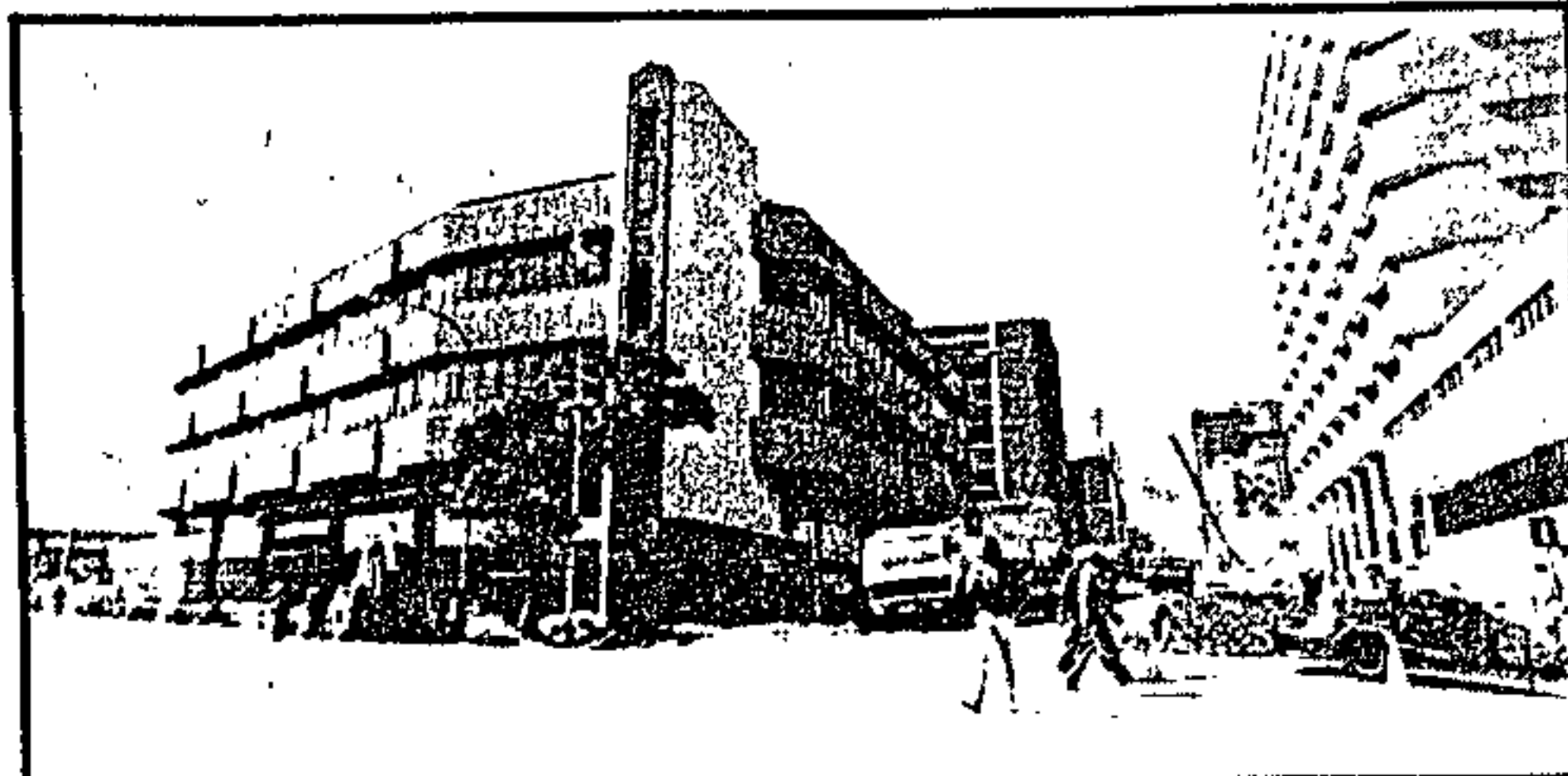
Remarkable

Prime office rentals, he says, were generally escalating at 9% per annum compound.

The above assumptions were applied on a five-year lease signed during the second half of 1983, and it was found that the escalated rate per square metre at the end of the lease in 1988 was R23.85.

"However, in 1988 the prevailing prime office rentals averaged R20.30/m² gross, 15% lower than the escalated terminal value of the 1983 lease."

"On the other hand, during the same period, there has been remarkable investment activity led mainly by long-term insurers, pension funds and promoters of listed property portfolios or property syndications," says Mr Vontas.



DOWNTOWN REDEVELOPMENT: The Johannesburg Stock Exchange annex

First-timers may score lump-sum home subsidy

Argus
6/12/89

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By MAGGIE ROWLEY, Business Staff

GOVERNMENT authorities were considering replacing the first-time homebuyers' subsidy with a number of options, including a lump-sum subsidy scheme, said Mr Leon Claasens, deputy director-general of the Department of Public Works and Land Affairs.

Instead of providing a monthly subsidy over five years, which the present system has done for first-time owners buying homes for less than R65 000 including the site, a capital subsidy scheme would mean a one-off subsidy allocation at the time of purchase.

A leading city property consultant said it was likely that a number of options for homebuyers would be recommended by the National Housing Advisory Council and would differ for different income groups.

The capital subsidy scheme is understood to be under consideration for low-income groups, in particular, to provide serviced erven on which they can build homes.

Farm labourers' scheme

Mr Claasens said all subsidies under his department, which was overseeing housing for all race groups, were being reviewed.

A capital subsidy scheme for housing for farm labourers already has been approved and will be introduced in next year's Budget.

"All other subsidies, including the first-time homebuyers' subsidy, are being reviewed in the same light."

He said the sub-committee of the Housing Advisory Council would meet early in the new year to discuss the first-time homebuyers' scheme.

"We will have to consult on a wide front and only after that will recommendations be made to ministers."

Mr Claasens said he had no doubt that allocation would be made in the 1990 Budget for the first-time homebuyers' subsidy as it stood.

"If a decision is made next year, it should not be too difficult to switch over and I would imagine that those homeowners who hold the subsidy at present would not be affected," he said.

Unexpected demand

The first-time subsidy for whites came to a standstill last month when it ran out of funds as a result of an unexpected demand following the extension of the subsidy to include existing, as well as new, houses from June this year.

● The Argus Political Staff reports Democratic Party finance spokesman Mr Harry Schwarz as saying that the decision to phase out tax-free building society investments would increase the cost of housing, particularly to the middle class.

He appealed to the government to introduce indexed savings bonds and other savings instruments, especially for the elderly.

He was reacting to Finance Minister Mr Barend du Plessis's announcement that tax concessions on certain building society, Treasury and Post Office investments would be phased out over five years, starting on March 1.

Inadequate methods

Mr Schwarz said the announcement had been expected for some time. This was another step which would increase the cost of housing by pushing up the cost of money from the building societies.

"At the time of the original announcement of the intention to abolish tax-free building society investments it was stated that other methods to assist with housing would be introduced.

"Those introduced so far are quite inadequate. Once tax-free investments for building societies are abolished one can pose the question whether there is really any need for the distinction between banks and building societies to continue."

Shuffling the cards

Proposed amendments to the Usury Act, aimed at making it more attractive for financial institutions to provide finance for low-cost housing, will also affect the broad spectrum of residential property purchases.

The administrative costs of providing home loans, except valuation fees, cannot now by law be passed on the mortgagor but must be carried by the lender. As these costs are much the same irrespective of the size of a loan, the smaller the bond the greater the proportion of the total that has to be written off by the financier.

This makes lending small amounts less profitable and has been a reason why major lenders, except the Perm, have avoided this market. Another factor has been the risk of lending to an unknown market.

Resolving these two issues is a key aspect of the initiative taken by the Urban Foundation in October (*Property* October 13).

As part of the scheme it has negotiated a R20m loan guarantee fund on international financial markets. This will reduce the exposure of home loan institutions from the traditional 80%-90% of the property value to 60% for bonds of less than R35 000.

It also has a commitment of a further R2bn to finance bonds of less than R35 000. This will dramatically reduce the perceived risks in the lower end of the market.

A less dramatic, though just as important, aspect of the initiative is the need to make the market more profitable for lenders. This is where the amendments to the Usury Act thrashed out by the foundation come in.

It is understood that the foundation has a commitment from Finance Minister Barend du Plessis that changes will be pushed through the legislative process as quickly as possible. Three changes are proposed: a bond initiation fee of R175; R5 a month ledger fee; and security valuation fee of R100.

Furthermore, every time the registered security under the property is varied or substituted, the lending institution, which now can't charge for reviewing the financial circumstances, will be allowed to charge R100 towards its costs. An example would be where a person has a bond over two properties and wishes to have one of them released.

According to foundation GM Franz Pre-

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torius, the draft amendments have been approved by Cabinet and are now before the law advisers. The next step is for the Bill to be published and referred to the standing committee on finance. If approved it should be signed by the State President by the end of March.

It is also proposed that a sliding scale of valuation fees should be introduced for properties worth more than R60 000. Those below this threshold would bear a flat fee of R100.

In addition, banks and building societies will be able to draw on a special class of capital: compulsorily convertible 10-year, market related, variable rate debentures.

Pretorius says these debentures will rank as secondary capital and fulfil the capital adequacy requirements against which mortgages of R12 000-R35 000 will be held, provided an average mortgage value of R25 000 is maintained.

"This mechanism allows institutions to generate potential additional marginal returns because they will be able to make more loans without increasing their primary capital or equity. We hope this will make low-cost housing just as profitable to banks as HP business," says Pretorius. ■

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The cost of houses will stabilise early in 1990, say estate agents

HOUSE prices will stabilise in the first half of 1990 as high mortgage rates begin to bite, according to Multi-Listing Services (MLS) Durban-based chairman Keith Wakefield.

Wakefield said in a statement yesterday that while good stock would continue to sell rapidly, buyers' enthusiasm was "waning" because of the prolonged high level of mortgage rates.

The national average selling price of multi-listed properties had risen to R101 000 from R89 630 last year, he said.

MLS Transvaal director Les Cohen said inflation and heavy demand had contributed to price increases of up to 50% in certain areas this year.

"The rise in interest rates has been almost totally ignored. In my 26 years in the property business I have never seen prices rise so steeply while mortgage rates are rising," he said.

Cape-based MLS director Paul Enderli expected continuing upward movement of prices, despite the bond rate.

"Because of a continuing shortage of stock in established areas, the Cape remains a seller's market," he said.

Enderli said the opening of "grey areas" had little impact on the market. This was evident in slow movement of properties in the Zonnebloem area of Cape Town.

ACHMED KARIEM

UBS economist Christo Luus said yesterday he anticipated overall increases of 10% to 12%, although this would still be lower than the inflation rate.

Luus said the rise, varying from region to region, was still a "drop in real terms".

UBS managing director Mike de Blanche said that while abroad recently, international bankers had told him the unfolding political climate in SA could only be good for the property market.

'Pivotal role'

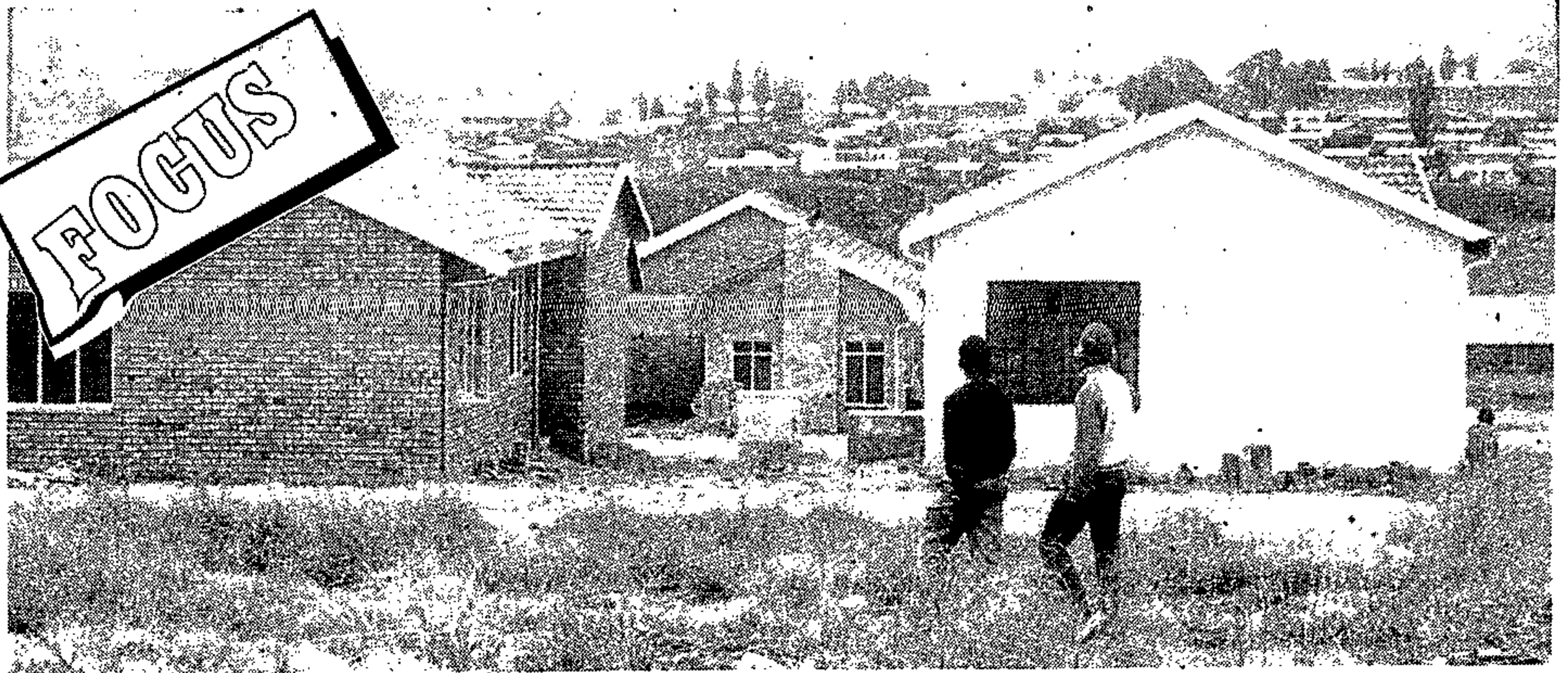
De Blanche said "badly needed" foreign investment would benefit the property market through industrial and commercial projects that would generate demand for property.

He said estate agents' referral networks would play a "pivotal role" in the emerging trend towards greater investment in the property market, and foreign buyers would continue finding SA property very attractive.

"Despite removal of the benefits of financial rand purchases of property, the rand would remain comparatively weak, at least in the short term, making local properties very cheap in world terms."

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FOCUS



Housing projects like this one have become a breeding ground for unscrupulous developers, estate agents and builders.

THE year 1989 will be remembered for many things.

But to thousands of homeless families in the black townships, 1989 will go down as the year of misery, sorrow and pain.

It was not only the year when the private sector emerged as the sole provider of housing in the townships, it was also the year which saw the emergence of unscrupulous and opportunist property developers, estate agents and builders.

Sharks

These sharks penetrated the lucrative building industry and in many cases succeeded in ripping off the unsophisticated black consumer

They succeeded because the black consumer was still trying to come to grips with the relatively new concept of real estate and the ups and downs of mortgage bonds.

In other words, the groundwork which was laid with good intentions by the private sector became a breeding ground

Housing sharks make a fat packet

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for these bogus and opportunistic business people.

The problem started a few years ago when the

By SY MAKARINGE

Government stopped building houses for rent in the townships, thereby passing the buck to the ever-willing private sector.

However, to many people, housing became more of a luxury than a necessity as they could not meet the "unreasonable" requirements they needed to qualify for building society loans.

House prices continued to rocket as the demand for homes shot up to an all time high.

This meant that housing was becoming more and more inaccessible to the ordinary man in the street. Although the South African Housing Trust provides loans of up to

R20 000 to enable the lower income group to build their own houses, many are not aware of its existence.

Besides, many people are not impressed by the Trust's offer because the so-called "affordable" houses built by its developers are too small and only look a shade better than the ordinary State-owned "match-boxes."

Terms

This inaccessibility to what should in real terms be a necessity paved the way for unscrupulous people to trick unsuspecting but desperate home seekers into parting with their hard earned cash.

As the demand for housing increased, more and more bogus companies were set up all over

the Reef to milk unsophisticated home-seekers of their savings.

Offering deposits of up to R700, many a desperate home-seeker flocked to their offices to take advantage of the bargains.

A company would operate for a while in one town, make several thousands of rands profit and then close down without notifying anyone. It would then resurface in another part of the city, under a different name but doing the same business.

Clients

At this stage their clients would be flocking to their offices to demand their refunds only to find the doors locked.

The problem dates back a few years but it became more visible in 1989 during which time the police investigated a dozen estate agencies with suspect and obscure credentials. The massive fraud involved more than R500 000 which was collected as deposits for houses from hundreds of unsuspecting victims.

Police

Even though the police are hot on the heels of the culprits, other bogus developers and estate agents continue opening more offices in and around Johannesburg and other towns on the East Rand.

The Estate Agents Board, which is becoming more concerned about these practices, has appealed to home-seekers not to deal with estate agents who do not have fidelity fund certificates.

In fact, an estate agent is required by law to display the certificate in a conspicuous place in his office. Without a fidelity fund certificate, chances are that the man is not a registered estate agent and may even be a con-man.

Developers and builders are not expected to deposit any monies received from clients into their business or personal accounts. Builders with good ethics would normally deposit all the monies into a trust account until such time that a deal had been finalised.

A good year for property

By Neville Berkowitz of
the Property Economist

Most people will look back on 1989 as a good year for property. The tail end of the 1987/88 economic upswing wagged for the better part of the year.

The white homes market saw schizophrenia reign. In the lower end of the market, under R100 000, hundreds of homes were being repossessed monthly by major mortgage lenders as high interest rates crippled limited family budgets.

At the top end of the scale the R1 million home barrier was crossed numerous times and the R3 million barrier breached on a few occasions.

The security driven townhouse and especially cluster home market at R300 000 to R1 million saw much increased demand and rising prices.

Most of the activity taking place in the construction of homes for blacks, coloureds and Asians was in the cheaper end of the market where builders' profits are paper thin. The losses by many major homebuilders show that this is not "the promised land" for the homebuilding industry.

The Urban Foundation's loan guarantee scheme, initially injecting R1 billion in homes under R25 000, was, in my opinion, the most important property news of the year. Now we must all make it work for the ultimate benefit of all South Africans.

Prospects for the residential market in 1990 are for initially high in-

terest rates with the possibility of a 17%-18% bond rate by next Christmas.

Demand for new homes will continue to slow due to the weak economy and high interest rates. Demand for existing homes over R150 000 will continue, initially at a slower rate. However I expect the second half of 1990 to see the tentative beginnings of the next upswing in the residential market.

The office market was substantially more active in the first half of 1989. Tenant demand dropped off noticeably in the second half as the 1990 downswing became a reality.

Some office markets currently have limited supply of good A grade space. However buildings currently under construction will come on-stream during 1990/1991 and a tenants market will re-appear once more.

Old Mutual continued their buying spree of Johannesburg CBD properties as well as completing their Menlyn office park in Pretoria. While Sanlam were active, announcing inter alia, three R100 million office developments in Parktown, Arcadia in Pretoria and in Durban.

I foresee 1990 being used to plan new office building for the possible 1992 upswing.

The retail market saw the expansion of Westgate to become the third

largest shopping centre in the country. The start of Southgate, near Uncle Charlies and the recent announcement of Northgate in Randburg will add yet more retail space to a near saturated market place.

Black shopping in the Johannesburg CBD is as popular as ever and rentals for relatively small retail space have broken through the R100 sq/m a month barrier.

The industrial market was dominated by the mini factory market with rentals in high demand areas such as Strydom Park, Amalgam, Selby, and Sebenza ranging from R7-R10 sq/m.

Large industrial space users are also looking to position themselves for the 1990s and there are a number of large enquiries for space in excess of 5 000 sq m in the market at present.

Overall 1990 is likely to be remembered for a slowing economy, relatively high interest rates averaging 19% during the year, increased political reform, possibly softening prices and rentals in areas of increased supply with reduced demand — in general an unexciting year.

A year to keep the costs down and an eye open for opportunities for the potential upswing starting during 1991.

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