Title deeds lag the provision of subsidised homes

Roy Cokayne

HOUSES provided through the government's national subsidy programme since 1994 comprised 24 percent of all formally registered residential properties in South Africa in September last year.

However, the results of a FinMark Trust study, released yesterday, found between 1 million and 1.5 million beneficiaries of the housing subsidies had not been provided with title deeds to their property.

This prevented poor households from fully benefiting from their ownership of a property and using it as an asset.

Matthew Nell, a director of Shisaka Development Management Services, which did the work for the study, said given the size of the subsidy component of the property market, its effective operations could only be beneficial to the overall market and had an impact on how the overall property market worked.

A linked study by Urban LandMark, into delays in issuing title deeds to beneficiaries, found that the high level of discrepancy and informality in subsidised housing was undermining the property title deeds registration system and the rights of those allocated a subsidised house.

It recommended the re-introduction of financial and administrative disciplines into the housing subsidy development process even if it slowed down development initially, and for consideration to be given to the establishment of a more immediate, more affordable administrative system to record land rights to supplement the existing deeds registry system.

It also recommended the introduction of a registration backlog eradication plan and emphasised the need for further investigation into a series of options to "de-professionalise" and make it more cost effective to transfer individual title for lower value properties.

Stephen Berrisford, the governance theme co-ordinator at Urban LandMark, said the major root cause of not issuing title deeds arose from delays in proclamation and opening a township register.

The consistent decrease in the number of home registrations was a concern.

However, Pierre Venter, the Banking Association of SA general manager, disagreed. He believed it was caused by "an extremely high level of corruption and fraud that is taking place at a municipal level".

Nell said the consistent decrease in the number of registrations as a proportion of the number of subsidised houses delivered was a concern.

He believed this was caused by the removal in 2004 of the requirement to have the property registered in the beneficiary's name as a milestone for a significant portion of the subsidy payout. Nell stressed title deeds protected rights to a property and recorded changes in ownership.

The failure to provide title deeds meant beneficiaries were being denied a critical point of entry into the formal property market and were not able to sell their houses using the deeds registry system, resulting in informal transactions occurring.

Less than 1 percent of the formally registered beneficiaries of subsidised housing have moved out of the property market. But Nell said a substantial amount of informal transactions were taking place and that it was difficult to determine the level due to fear and anxiety around these transactions.

This relates to the eight-year sales restriction on government-subsidised houses.

Performance of government subsidised housing:

Only 6 percent, or 90 858, of the 1.44 million subsidy houses registered since 1994 have been sold, generating more than R12 billion in new value.

The average nominal sale price rose from R54 032 for properties sold between 1994 and 2000, to R160 849 for properties sold between 2004 and 2009.

The 90 858 sales were accompanied by about 50 000 mortgage bonds.

Subsidy properties have been used to secure about R20bn in mortgage finance, with about 120 000 mortgages extended to subsidised houses since 1994.

Subsidy houses are valued by their owners and significant levels of investment in them are evident.

Source: FinMark Trust