

# A look at the affordable housing space

 By [Karen Petersen](#)

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There remains a huge interest and demand in affordable housing in South Africa. The very low end of the housing spectrum is largely catered for by the public sector through various government-assisted housing programmes, whilst most developers have chosen to focus on the higher end of the market, being less price-sensitive and more lucrative. Barriers to entry in this specific market segment are high, with players in the housing value chain faced with a series of challenges... rising inflation and interest rates, limited affordability of buyers and end-users, yield return expectations from funders and increased materials and labour costs. Where possible, both government and landowners should assist in reducing these barriers so that the gap between supply and demand can be reduced.



## Higher densities

Cities through their densification strategies are encouraging densities that are generally higher than what has traditionally been delivered. Residential densities exceeding 200du/ha (vertically, this means buildings higher than eight storeys) will be necessary to justify significant investment in infrastructure, made either by the public or private sector. Low densities are unsustainable and cannot make bus rapid transport (such as Gauteng's Rea Vaya and eThekweni's Go!Durban) systems viable. Moreover, with a push towards transit-orientated development (TOD) nodes, high densities are a precondition.

## Accessibility

There is a growing trend for developers wanting sites with good access. More and more they are foregoing less expensive land, that may be highly developable, serviced or come with expansive vistas, to sites that are more costly, but with easier accessibility to public transport, schools and other urban amenities. A precinct where buyers/residents can walk safely or take buses and taxis to their workplace will remain prime and quick take-up is guaranteed. Land situated on the outskirts of cities and towns, far from employment nodes is not likely to be sought-after.

## A move towards rental stock

Whilst homeownership advantages are well-known, developers, funders and investors are seeking greater opportunities to develop units as rental stock, thus boosting their portfolios. With buyers faced with increased affordability constraints, renting has become a lot more attractive for young professionals and families relative to buying due to rising interest rates,

as higher rates will place home ownership further out of reach for many. Although a complex sector, with opportunities and markets varying from area to area, investors are achieving excellent returns on their investments as well as capital appreciation through the buy-to-let market.

This specific asset class is seeing superior yields, with rental yields outstripping growth in the average house price. Popular product offerings include two-bedroom sectional title apartments, priced below R720,000 – this generating yields more than 9%, while three- to four-bedroom standalone properties priced above R1,5m sit below 6%.

## **Greater collaboration and partnerships**

Affordable housing, whether freehold title or rental, require greater collaboration between players. Developers are seeking commitment from local authorities not only in timeous planning approvals but in infrastructure provision. Municipalities that are offering incentives for affordable housing developers will lead in this regard. Employers who are keen and willing to engage with others to provide housing for their employees also play a role. There are several institutions and agencies who are able to assist in enhancing buyers' ability to afford accessing homes.

## **ABOUT KAREN PETERSEN**

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