

A TALE OF TWO MARKETS: UNEQUAL ACCESS TO PRIVATE PROPERTY IN A SOUTH AFRICAN CITY

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ABSTRACT

In line with international trends, South Africa's post-apartheid government has embarked on a housing policy that emphasises asset building. Homeownership has become a dominant policy for assisting the historically disadvantaged Black population. This paper looks at two property markets in Mangaung, a metropolitan municipality that includes Bloemfontein. We analysed property activity on 2,545 residential stands in former Black and former White areas in Mangaung since 1990. Our findings show two distinct markets. The formal property market in former Black areas shows a low number of transactions, low value and slow turnover. In the former White areas, a housing investment made between 1990 and 2016 would have yielded an annual return of 14 per cent, but in the former Black areas only 7 per cent. This poor return makes it difficult for homeowners in former Black areas to use housing for asset building.

Key words: Asset-based welfare; deeds registration; homeownership; housing policy; South Africa; property market

INTRODUCTION

Government policies often propose property as a way to build assets, create wealth and alleviate poverty. Homeownership has, consequently, become the globally preferred form of tenure. Governments see it as a way to reduce their welfare spending. For example, by downsizing a house, money can be obtained to fund retirement. In the Global South, asset-based development often comes in the form of land titling programmes (De Soto 2000). The US government followed similar strategies in

attempts to create assets for its Black population (Sherraden 1991). The South African government has supported homeownership since the dawn of democracy in 1994, not only to encourage asset generation, but also as restorative justice for the Black population who, until the mid-1980s, could not own urban land.¹ Between 1994 and 2016, the Housing Subsidy Programme made ownership of private residential property possible for approximately four million households excluded from ownership under apartheid (Department of Human Settlements 2016). The government

†1957–2017

also actively supported and funded transfers of previously State-owned houses to individual households. Since 2004, when it adopted *Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements*, the government has promoted homeownership and the property market (Department of Housing 2004). A 'programme theory' developed by the Department of Human Settlements states that property and climbing the housing ladder are essential for poverty alleviation.² More specifically, it is envisaged that as 'subsidised-stock and old-stock houses grow in value, are incorporated in the property market [and] enter the rates roll, the value of the poor's share of the property market grows and the poor move up the housing ladder' (Department of Human Settlements 2014, p. 2). In addition to creating housing assets to reduce state welfare responsibilities for the disenfranchised Black community, granting homeownership is seen as a way of reducing the inherent inequalities between Black and White people in South Africa. As was the case in the USA, Black homeownership is seen as a way of dealing with underdevelopment and inequality.

Despite the programme theory's laudable intentions, the discrepancies that persist in the patterns of ownership, and the way the markets operate, continue to reflect Black people's history of dispossession. There is a growing, but still small, body of work being done on property and the housing market in South Africa (Saff 1998; Wood 2002; Lemon & Clifford 2005). The topics covered are the township housing market, the need to extend finance to this market, the Housing Subsidy Programme's potential to create a secondary market and, more recently, problems and opportunities in middle-income housing (Shisaka Development Management Services 2004; Tomlinson 2007; Lemanski 2011, 2017; Marais & Cloete 2015, 2017; Hoekstra & Marais 2016; Marais *et al.* 2018). Taking a more positive view, the Centre for Affordable Housing in Africa (2013) pointed out that property markets have been developing in many former Black townships of South Africa. Homeownership levels in South Africa are currently at about 60 per cent.

To discover whether the historical patterns of unequal access to private property still have an effect on ownership and market dynamics for residents, we analysed a range of title deeds registered in Mangaung Metropolitan Municipality (which includes the city of Bloemfontein). Our paper is based on the current and historical deeds registration information for 2,545 residential stands in this municipality, providing a city-based assessment of formal property and property *transactions* since 1990. Our focus is on the township housing market.³ We distinguish between former Black areas (FBAs – mostly former black townships) and former White areas (FWAs) as historically proclaimed under the Group Areas Act of 1950 (repealed in 1991). The study largely uses descriptive data and explores the main differences between FBAs and FWAs. We argue that inequality continues, despite the asset-based welfare approach of using property to address inequality, and that two different markets exist in Mangaung. The evidence up to this point does not show that land titling has helped large percentages of poor people out of poverty by opening up dead capital.

THE LITERATURE

Welfare, homeownership and asset building – Welfare policy refers to how the state, the market and society allocate responsibility for public policies such as social security, education, and healthcare (Ronald 2006). This list often also includes housing. Providing housing through asset-based welfare allows homeowners to use the assets that they accumulate as a safety net, but it also allows governments to lower their spending on welfare. Consequently, Malpass (2008) observes that housing is often used to restructure welfare spending. This happens differently across the globe.

Homeownership is becoming the dominant housing approach worldwide and is often seen as one of the major social changes of the 20th century (Smith 2010; Haffner *et al.* 2017). Some see it as a way for people to generate wealth, others as a way for governments

to evade their responsibility for providing housing (Forrest 2011). The assumption is that people with sufficient assets can manage their own welfare and they are, therefore, not a liability to government. Regardless of the debates, most households aspire to getting a foot on the housing ladder, referred to by researchers as a 'linear progression towards homeownership' (Koppe 2017, p. 177). In many parts of the Global North, owning rather than renting 'has become a key marker of difference' (Haffner *et al.* 2017, p. 169).

Promotion of homeownership is closely linked to asset-based welfare, now prominent in the Global North and in Asia (Doling & Ronald 2010; Groves *et al.* 2007). The reasoning behind asset-based welfare is that giving grants to the poor may help them spend but will not lift them out of poverty, whereas helping them to create assets might do so. Extensive asset-based support programmes have been implemented in the USA, using combinations of education, savings and property to accumulate long-term assets and reduce dependence on the state (Sherraden 1991).

Access to housing finance is often the key driver of asset-based welfare. A new set of literature is emerging referring to asset-based welfare and housing finance – largely sparked by the global financial crises. This set of literature focuses on the capital-intensive and investment-oriented features of housing (see Prabhakar 2018 for further details). Providing housing finance is a common characteristic of asset-based welfare. Mortgage financing for homes, one of the main drivers of homeownership globally, is not without risk. Homeownership 'harbours financial risks and precipitates arrears and dispossession' (Haffner *et al.* 2017, p. 170). Risky lending behaviour can ruin households (Mian & Sufi 2014). For households, the consequences of the global financial crisis of 2008 highlight the inherent risks of mortgage finance and property in general. The crisis resulted in a decrease in homeownership in both the USA and the UK but less so in other parts of the world (Duncan & Costantino 2011; Williams 2011). Among the consequences were the sale of houses, foreclosures, negative equity, larger equity withdrawals and increases in mortgage arrears (Berry *et al.* 2011). New homeowners

and lower-income homeowners have been among the most damaged (Clarke 2013). Particularly at risk have been female-headed households, younger households, households with a high mortgage-payment-to-income-ratio and households going through relationship break-ups (Koppe 2017).

Debates about homeownership, land titling and asset generation have also been a feature of the Global South. Some countries have embarked on large-scale land-titling programmes in line with the thinking of De Soto (2000). The assumption in De Soto's work is that land titling or conversion of informally occupied land to owned land turns dead capital (land) into a productive asset. His work has been severely criticised in the academic literature for, among other things, making assumptions about the poor needing secure tenure and mortgage finance being an appropriate strategy for them (Gilbert 2002). Evidence from the Global South shows that land titling programmes *per se* do not produce the outcomes De Soto expected (Bromley 2009). It should also be noted that some Latin American countries provided security of tenure (often titling) and practised self-build in informal settlement upgrading before the Second World War (Bromley 2013). Turner's work of the 1960s and 1970s followed these initial ideas (Turner, 1976). Although Turner emphasised security of tenure in self-build, practitioners often associated self-help with titling. Titling became dominant when the World Bank institutionalised informal settlement upgrading from the early 1970s (World Bank 1993).

Another set of literature has emerged on asset accumulation and housing policy in the developing world. Moser (2006) has been central in shaping and developing this work. She emphasises the importance of housing and secure tenure as a foundation for asset accumulation by poor households. Theoretically, this work is closely related to Sen's (1993) work on 'capabilities', namely, what individuals can do. Moser (2006) saw capabilities as being supported in rural areas by the sustainable livelihoods approach and in urban areas by asset-based development. She also emphasised inter-generational transfers, which the international literature regards as an important mechanism for asset building

(for example, Moser 2007; Koppe 2017). The welfare focus in the Global South shifted from poverty alleviation to poverty reduction strategies. In this process, asset-based welfare replaced consumption-based poverty alleviation strategies.

Policy, housing finance and existing research in South Africa – South Africa's application of asset-based welfare is a hybrid response. Four points pertaining to policy and the hybrid response in South Africa are important. First, in the Global North, the homeownership drive focuses on the lower middle class, but South Africa's housing policy and programmes emphasise the benefits of homeownership largely for the poor, with less focus on the lower middle class. The focus on the poor is largely as a result of the scale of poverty in South Africa. The transformation of patterns of property ownership is key to the post-apartheid reconstruction of South Africa. The wisdom of promoting homeownership with an emphasis on private property in the form of individual title deeds has been contested, however (Claassens 2005; Hornby *et al.* 2017). The post-apartheid emphasis on homeownership is partially a reaction to the colonial discouragement of urban land ownership for Black people and apartheid's outright ban. Up to the early 1950s, land ownership was possible for Black people in some situations but, in 1952, the apartheid government deprived the Black population of this right outside the 'homeland' areas. Under the Group Areas Act, the apartheid regime pushed Black people to urban land in peripheral locations and mainly provided rental housing. Renting rather than owning emphasised their temporary status in the towns and cities (Napier 2009).

The Soweto uprising of 1976 put pressure on the South African government to change its approach to Black housing. One result was the establishment in the early 1980s of the Urban Foundation, an NGO funded by the private sector. Aided by local pressure, the Foundation lobbied the government to restore homeownership for Blacks. This was achieved in the mid-1980s with the lifting of influx control and the new policy of orderly urbanisation

(Harrison 1992). Black middle-class households could now legally own homes and obtain private sector housing finance.

Second, the post-apartheid housing policy contains an element of land titling, often used in the Global South, as proposed by De Soto (2000). According to this land titling programme, a starter house is provided too. The first post-apartheid White Paper on Housing in 1994 opened the way to full legal restoration of homeownership to Black South Africans. The government introduced a capital subsidy programme to assist poor households below a certain income level. The subsidy also worked on a sliding scale. It gave lower-middle-income households a smaller subsidy, linked to private sector finance to create better housing conditions and support a secondary housing market. By 2017, about four million houses had been built under the government housing subsidy programme. Most of these were in the FBAs of South Africa's cities, and informal settlements remained a constant feature of these areas. In addition, about 500,000 households received ownership of houses they had rented under the apartheid regime.

Third, this initial policy was not only market-oriented, but was designed to bring restorative justice by giving Black households the same privileges as their White counterparts (Gunter 2012). Fourth, the South African policy has an element of asset-based welfare as practised in the Global North. In 2004, ten years after the first Housing White Paper, the government released the policy statement *Breaking New Ground* (Department of Housing 2004). This document emphasised much more specifically the importance of property in asset creation and poverty alleviation. It also emphasised the need for the state to review and oversee the functionality of the entire residential market, rather than just the lower end. The Department of Human Settlements' programme theory of 2014 highlights the role of property in alleviating poverty. It mentions stumbling blocks to overcoming historical inequalities, such as racially skewed participation in the property market, biased distribution of resources and wealth, high levels of poverty and unemployment and minimal investment by the private sector in low-income areas (Department of Human Settlements

2014). It identifies the quality and functionality of neighbourhoods as being instrumental to market development. It envisages that houses will increase in value, form part of the property market, contribute to the tax base, bring the poor into the property market and enable them to climb the housing ladder. It lists well-located land, effective planning and deeds registration, provision of services, creation of functional neighbourhoods, access to private sector finance and good quality houses as important ways of fostering a secondary housing market.

In 2016, the government released a new draft White Paper on Housing that echoes many of the above-mentioned objectives (Department of Human Settlements 2016). Since 1994, the government has also introduced mechanisms to extend housing finance, which was originally mostly for the FWAs, to the broader population. A Record of Understanding, signed in 1994, was the first attempt in this respect but, later, the Financial Sector Charter of 2003 set a range of targets to ensure that housing finance became available to Black households and in FBAs (Tomlinson 2007). In 2000, the government promulgated the Home Loan and Mortgage Disclosure Act. Because bank lending tended to favour FWAs over FBAs (a practice commonly referred to as 'redlining' certain neighbourhoods), it sought to promote fairer lending practices. The Act required that financial institutions disclose information to an independent Office of Disclosure about where they were granting home loans. In addition to agreements and legislation linked to banks, the government also introduced a capital subsidy (called the Finance Linked Individual Subsidy Programme).

The literature on FBA markets highlights four main concerns. First, owners of houses provided under the Housing Subsidy Programme and located in townships are generally not keen to sell (Shisaka Development Management Services 2004; Payne *et al.* 2008; Vorster & Tolken 2009). This is partly because they know that, once they sell their houses, they have few other housing alternatives, but also because a long history of operating outside the property system tends to make them pessimistic about the property market. Respondents in

surveys are sceptical about their chances of moving up the housing ladder and, generally, the housing market in the FBAs is not functioning optimally (Lemanski 2011). Second, the resale value of government-subsidised houses is generally less than the original cost of these houses (Shisaka Development Management Services 2004; Ruiter 2009). This does not help households to move up the housing ladder. Third, in some areas of the market, there are many more buyers than the stock being supplied (Rust 2006). This is another reason for households being stuck on their current rung of the housing ladder. According to a study by Shisaka Development Management Services (2004), only 7 per cent of beneficiaries who had received houses under the Housing Subsidy Programme sold them and bought another house. Fourth, township residents continue to have difficulty accessing subsidised housing or mortgages – a problem that was addressed by the Mortgage Disclosure Act of 2000, mentioned above and, more recently, by the National Credit Act (2005). State-funded housing has never quite achieved the original goal of coupling the state subsidy to bank financing and, by 2007, fewer than 10 per cent of houses delivered through the Housing Subsidy Programme were linked to mortgage finance (Tomlinson 2007).

Finally, the question is how the South African emphasis on asset-based development compares to international trends. The emphasis on homeownership is similar, but the motivation differs somewhat. In the Global North, homeownership is often motivated by governments to reduce state expenditure on welfare. In the Global South, De Soto's arguments in respect of land titling often hold sway. De Soto sees land titling as releasing dead capital. In South Africa, the original motivation was to use ownership as restorative justice and to reduce racial inequalities. However, the policy also reflects the characteristics of land titling – largely for the poor and, in addition, asset generation is part of the policy. Houses have to become assets and households have to climb the housing ladder. The policy requires the establishment of housing markets and these housing markets have to address property inequalities.

METHODS

We collected the data for this paper by way of a systematic sampling of 3,800 out of 202,139 stands (1.8%) on the 2013 valuation role in Mangaung Metropolitan Municipality. We distinguished between FBAs (the areas that were designated for the Black and coloured population under apartheid, such as Botshabelo and Thaba Nchu), and FWAs (the former White suburbs and smallholdings).

As this was a systematic sample, we first obtained an equal distribution of sampled stands across this municipality (see the history section that follows for a more detailed overview of the stands). The deeds information was digitised from printouts provided by the Deeds Office. These contain all transactions since 1990 and also first registrations before 1990. We collected the date of first registration, size of stand, all transactions since 1990 (also before then, where possible), name of owner, various mortgages and the providers of these mortgages, and any interdicts or other actions in respect of the stand. We excluded subdivided stands because they would complicate the assessment and sectional title dwellings because this form of ownership is rare in the FBAs. This left us with 1,874 residential stands in the FBAs (1.86% of stands in FBAs) and 671 stands in the FWAs (1.34% of stands in FWAs). The larger variety of land uses in the FWAs, which meant that many non-residential stands had to be excluded, is the main reason for the difference in the sample sizes.

Table 1 provides a summary of the above data and Figures 1–3 provide an overview of the suburbs and sample size. We distinguished between secondary and commercial transactions. Secondary transactions are all transactions after the original registration. Commercial transactions are first transactions with a value of more than R8,000 (in 2016 values). The latter are in contrast to transactions where the stand was transferred at a very low cost or free of charge. Many first transfers in the FBAs were free to the beneficiaries as the state had purchased the land.

Our distinction between FBAs and FWAs is not related to race *per se* but is based on the historical segregation of areas on the basis of race. The difference between the markets in FBAs and FWAs is the result of historical deprivation, poor location, poor access to services and amenities, inadequate access to finance and lower incomes.

THE MANGAUNG CASE STUDY

History – The city of Bloemfontein was established in 1848, largely as a trading post. It later became the capital of the Orange Free State Republic and, in 1910, at the time of the Unification of South Africa, the capital of the Orange Free State Province (one of four provinces at that time). In 1994, it became the Free State Province (one of nine provinces in the democratic dispensation).

The colonial and apartheid periods had distinct spatial planning implications for Bloemfontein (Krige 1991). The first Black

Table 1. Overview of the data used in the paper.

Indicator	FBA	FWA	Mangaung total
Total number of residential stands	100,752	50,074	150,826
Number of residential stands in the sample	1,874	671	2545
Percentage of stands in the sample	1.86	1.34	1.69
Stands with at least one secondary transaction	187	372	559
Number of sampled stands on which it was possible to determine race	n/a	87%	n/a

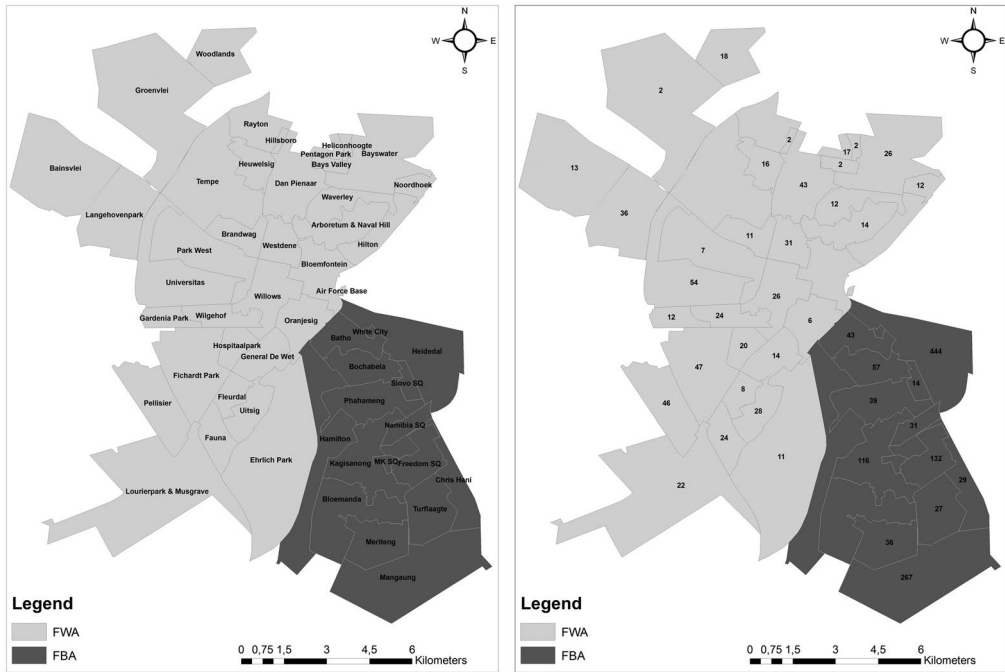


Figure 1. Suburbs and sample size per suburb in Bloemfontein.

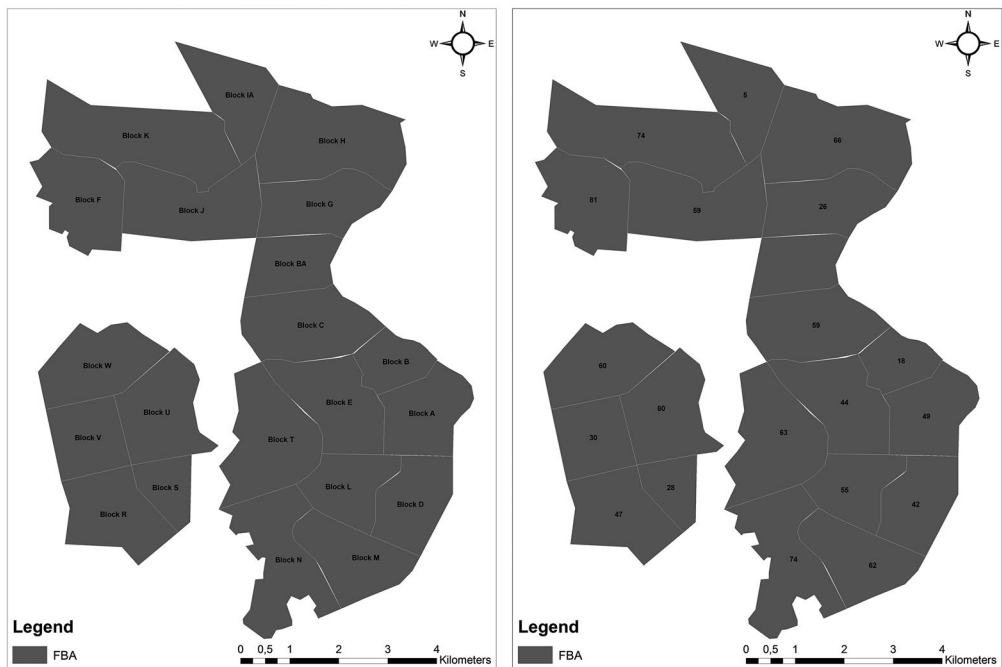


Figure 2. Suburbs and sample size per suburb in Botshabelo.

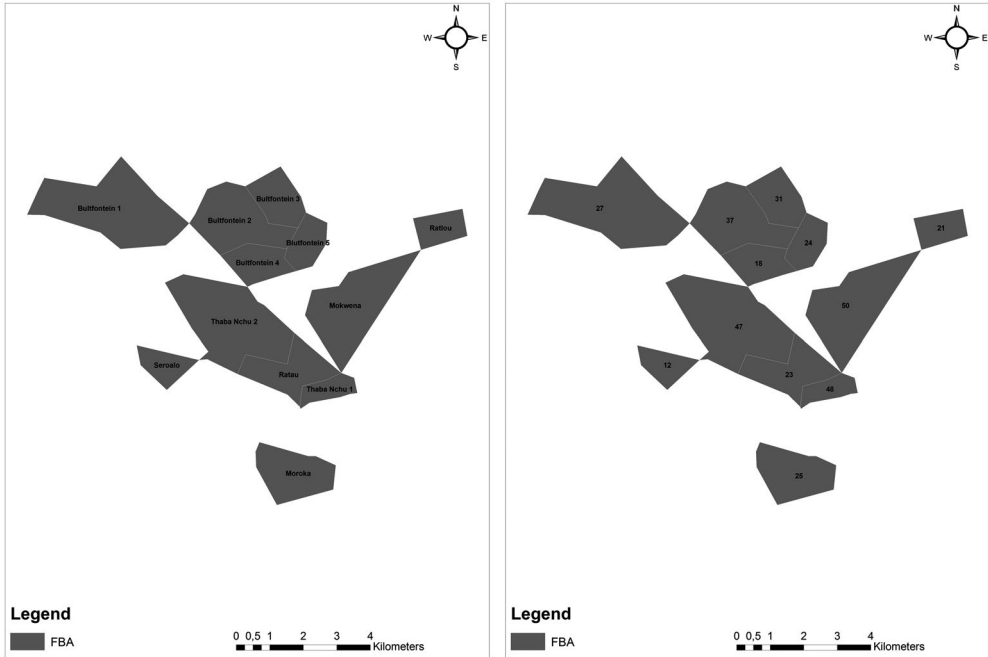
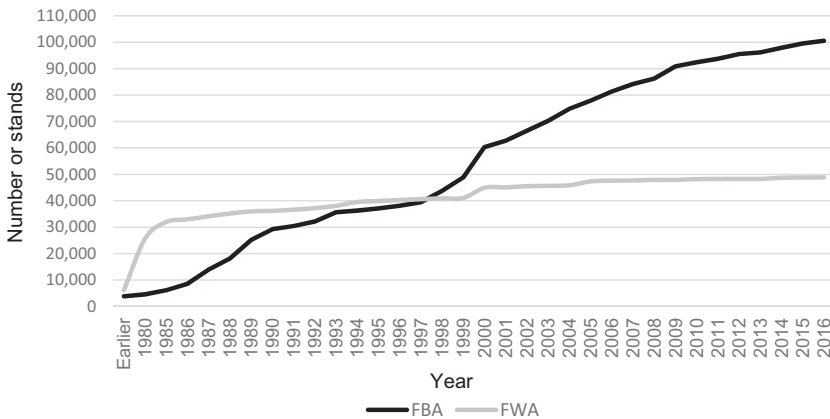


Figure 3. Suburbs and sample size per suburb in Thaba Nchu.



Note: Full number of stands in Mangaung extrapolated from sample.

Figure 4. Number of residential stands by first registration in Mangaung.

settlement was in Waaihoek on the southern boundary of Bloemfontein. In 1918, the local government of Bloemfontein established Batho to the east and it became the focus of Black settlement under colonial rule. Further land expansion came with the establishment of Bochabela in 1931. Black people could own

a house but could not own land. From 1948 onwards, apartheid planning further enforced race-based planning in Bloemfontein. The Group Areas Act of 1950 provided more land in a sector development towards the east, Mangaung Township (after which the new metropolitan municipality is named) for

Black households and Heidedal for coloured households. White Group Areas were located west and northwest of the central business district. The apartheid government did not allow Black people to own a house but instead constructed about 6,000 rental houses in the new settlements of Phahameng and Kagisanong. In addition, an R293 town called Botshabelo was established 55 km east of the city of Bloemfontein in 1979.⁴ Botshabelo was an extension of Mangaung Township, designed to channel Black urbanisation still further away from the centre. In 1977, the apartheid government allowed Thaba Nchu (a typical small town and home to the Barolong community) to be incorporated into the Bophuthatswana homeland. However, in the early 1990s Thaba Nchu again became part of South Africa. Today Mangaung Metropolitan Municipality includes Botshabelo and Thaba Nchu in one municipal area. The above history was responsible for disrupting the urbanisation of Black households.

Figure 4 shows the dates of first registration of the FBAs and FWAs. We extrapolated our sample to the full number of residential stands, approximately 150,000. This represents about 75 per cent of registered property in Mangaung. Today, two-thirds of these stands (approximately 100,000) are owned by people living in the FBAs. The figure also shows a rapid increase in stands since the abolition of influx control and the reinstatement of homeownership in the FBAs in the mid-1980s. In 1997, the number of properties in the FBAs overtook the number in the FWAs. Effectively, Black people could not own land up to 1985, when the apartheid government adopted the policy of orderly urbanisation. The policy changes of 1985 made homeownership possible for Black middle-class households in Mangaung Township and paved the way for banks to finance mortgage loans for these houses. Through the Big Sale in 1983, the apartheid state started selling off its rental housing to the occupants and, later, the Discount Benefit Scheme of 1992 further facilitated the privatisation of State-owned houses. The Big Sale required the inhabitants to pay a market-related price for the house, while the Discount Benefit Scheme provided a subsidy of R7,500. If the

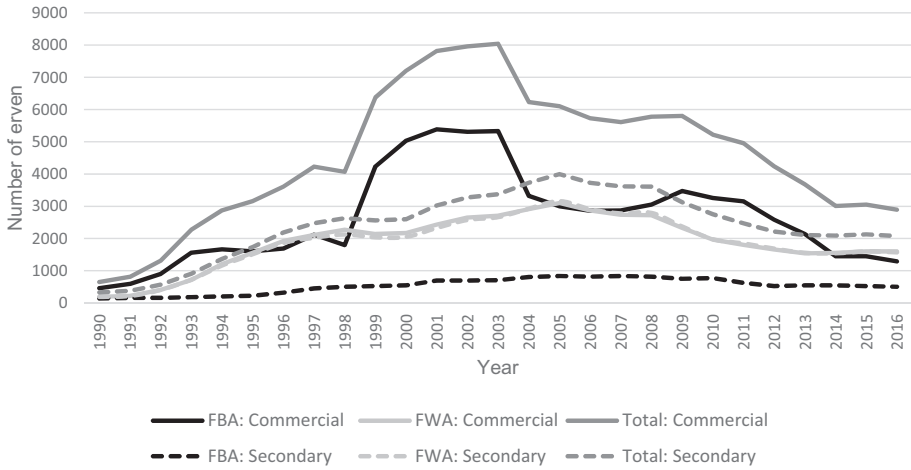
house was worth R7,500 or less the house was transferred free of charge. The Discount Benefit Scheme and other mechanisms have continued to facilitate homeownership for sections of the township since democratisation in 1994.

Number of transactions and transaction values

– Only 10 per cent of the residential stands in the FBAs and 55.4 per cent in the FWAs have had a secondary transaction since 1990. The lower percentage in FBAs confirms a national trend. In Pietermaritzburg-Msunduzi (KwaZulu-Natal province) research found that ‘there has only been limited penetration of the formal real estate market by Blacks’ (Wood 1999, p. 263). These figures show that two different markets exist. As noted above, we distinguished between commercial transactions and secondary transactions. The figures also show that property and titling do not necessarily lead to climbing the housing ladder or linear progression as often is assumed in policy. Large numbers of people are stuck on the lowest rung of the ladder.

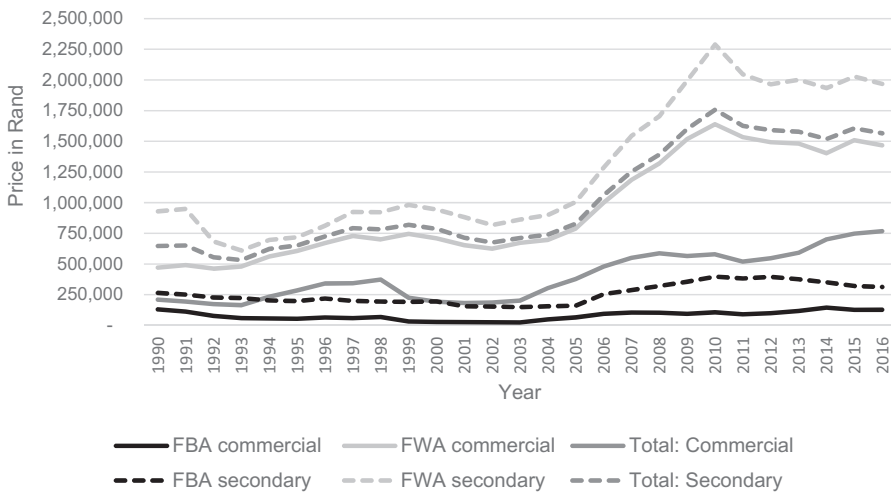
Figure 5 shows a huge spike in commercial transactions between 1998 and 2003. This is largely because of the rise in commercial transactions in the FBAs during this six-year period – although most were at the lower end of the market. More important for this study are the secondary transactions. In the FWAs, secondary transactions reach a peak in 2005, with over 3,100 transactions per annum. In 2010 this had decreased by 37 per cent to 1,900 transactions per annum. Between 2005 and 2016, transactions decreased by 50 per cent. In the FBAs, the trend is different. These transactions also peak in 2005, at 840, but largely maintain this high up to 2010 (770 transactions – a decline of only 8%) and then decline slowly towards 2016. The overall decline between 2005 and 2016 is 40 per cent – 10 per cent less than in the FWAs.

It is clear that the FBAs contributed significantly to the overall number of commercial transactions. On average, 56 per cent of commercial transactions originated from FBAs for the period 1990 to 2016. The corresponding percentage for secondary transactions is 23 per cent. However, this low figure should be seen against the reality that, nationally, up to 50 per cent of properties in



Notes: The annual value is a five-year average of the year under consideration and the preceding four years. Full number of stands in Mangaung extrapolated from sample.

Figure 5. Number of commercial and secondary transactions per annum for stands in Mangaung, 1990–2016.



Note: The annual value is a five-year average of the year under consideration and the preceding four years.

Figure 6. Average price of commercial and secondary transactions for stands in Mangaung, 1990–2016 (2016 values).

government-subsidised projects were transacted outside the formal deeds registry (Napier *et al.* 2013). Although our paper focuses on formal transactions, these informal transactions cannot be ignored.

Some of the reasons why the FBA property market is different are Black people’s history of being prevented from owning property,

their unwillingness to sell, their unequal access to mortgage finance, their historical distrust of banks and their tendency to make informal sales, and the fact that few estate agents operate in the FBAs (Vorster & Tolken 2009; Lemanski 2011; Shisaka Development Management Consultants 2014). In addition, Lemon and Clifford (2005, p. 8) note that

changing the apartheid legacy is a slow process as ‘years of discriminatory legislation has left a socioeconomic disparity’ among races that mitigates against changing the apartheid footprint. The evidence shows that titling does not automatically lead to a secondary market as is often assumed in policy and by the proponents of asset-based welfare.

Figure 6 shows the average prices for commercial and secondary transactions. The pattern is similar to the findings of the research by Lemon and Clifford (2005), namely that the value of transactions involving Black people was lower than those involving only White people. It shows that, in general, secondary transactions were also of higher value than commercial transactions in both the FBAs and FWAs. Given the global financial crisis, there was an expectation that the transaction values of secondary transactions would decline more rapidly after 2008. But the decrease in transactions in the FWAs lagged and prices only started tumbling in 2009. This delay is partly the result of basing annual values on a five-year average.

As with the number of secondary transactions, there is a longer period of growth for property values in the FBAs than in the FWAs in the aftermath of the global financial crisis. Figure 6 shows that the FBAs have experienced considerable price growth since 2004, reaching a high in 2010 (two years later than the FWAs). The growth in the FBAs also

indicates that the banks were eager to finance housing in the FBAs from the mid-2000s, in line with government policies. When the value of the FBA property market is expressed as a percentage of the total value of all transactions (both FBAs and FWAs), the small size of the FBA market becomes evident: from 1990 to 2016, commercial transactions in the FBAs constituted on average 10.5 per cent of the market value of all transactions and secondary transactions constituted 6 per cent. In 2008, secondary transactions in the formal housing market were worth more than R5-billion and decreased to R3.3-billion in 2016 (2016 values). The evidence shows the risks and volatility associated with having property assets. It also shows that those in FBAs benefit the least.

Figure 7 compares inflation in house prices in secondary transactions with inflation in the Consumer Price Index. Between 1991 and 2016, house-price inflation in the FWAs was much higher than in the FBAs. On average, annual house-price inflation in FWAs was 14.3 per cent over this period, which outstrips the average Consumer Price Index (7.3 per cent per annum) and house-price inflation in the FBAs (7.3% per annum). Although having broken even with inflation, those in FBAs have not seen growth beyond inflation, again pointing to two different housing markets with different outcomes. This has largely been the result of apartheid planning.

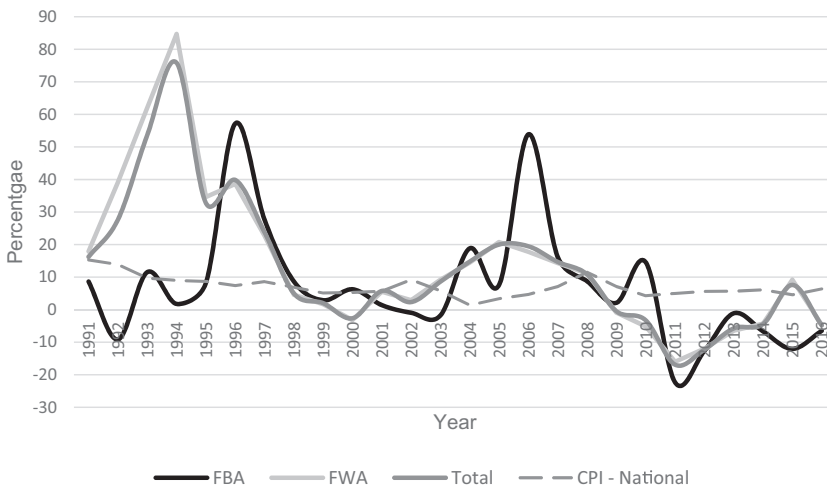


Figure 7. House price inflation in Mangaung, 1991–2016 (2016 values).

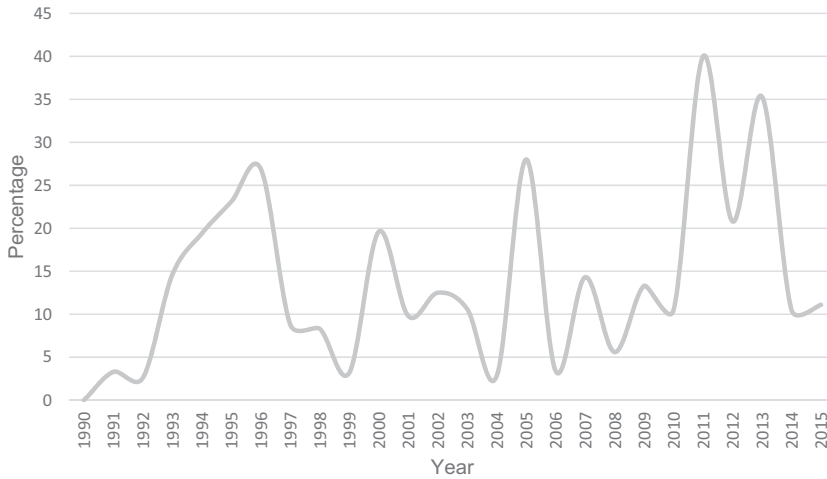


Figure 8. Percentage of transactions in FWAs conducted with Black buyers, 1990–2016.

However, between 2004 and 2013, house prices in the FBAs increased by 10.3 per cent per annum compared with 8.6 per cent per annum in the FWAs. Price hikes in the FBAs came later and lasted longer than in the case of the FWAs.

Desegregation played a strong role in Mangaung's housing market. Desegregation figures in the FWA increased from 2.4 per cent in 1990 to 26 per cent in 1998 and 33.2 per cent in 2005. In 2016, the percentage dropped to 16 per cent (Rex & Visser 2009; Rex *et al.* 2014). The research also shows that the southern suburbs are more inclined to desegregation, as house prices are lower there (Rex & Visser 2009; Rex *et al.* 2014). Resegregation, a common phenomenon elsewhere in South Africa, is only occurring in Lourier Park (see for example Saff 1998; Lemon & Clifford 2005). Desegregation is taking place at a slower rate than in Pietersburg-Polokwane (Donaldson & Kotze 2006). Figure 8 shows our estimate of the percentage of transactions per annum in the FWAs that were concluded with Black buyers and Figure 9 provides an indication of current Black owners in the FWA. (The deeds registers do not record the race of the owners, so we used surnames as a basis for identification – a common technique in studies of desegregation in South Africa. We are aware that this is a crude indicator).

Turnover of property – One way of determining and comparing market churn is to establish the percentage of properties in an area that are sold by their owners in a five-year cycle.

Figure 10 shows that, in the FWAs, the percentage of stands changing hands every five years increased from a mere 2.5 per cent in 1990 to 26 per cent in 1998 and 33.2 per cent in 2005. In 2016, the percentage dropped to 16 per cent. In the FBAs the highest percentage achieved was 5.7 per cent in 1997. Except for dropping below 5 per cent in 2000, this percentage remained slightly above 5 per cent up to 2006 and then declined to 2.5 per cent in 2016. Overall, the market turnover is lower in the FBAs than in the FWAs, but, at the same time, it is less volatile. These figures for Mangaung are also substantially lower than those recorded in a study by Shisaka Development Management Services (2004) in larger metropolitan areas, where it was found that between 26 per cent and 30 per cent of stands in FWAs are sold every five years. The corresponding figure for the FBAs was between 13 per cent and 16 per cent. Once again, the figures show how two different markets operate, that they produce unequal outcomes and that property does not automatically become an asset.

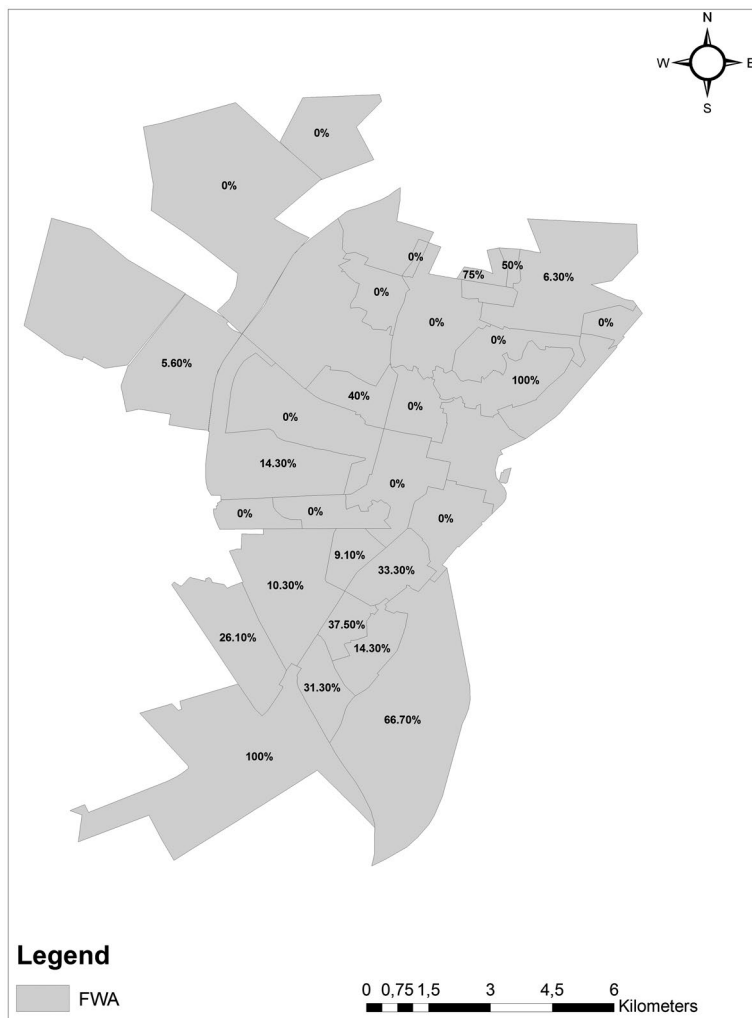


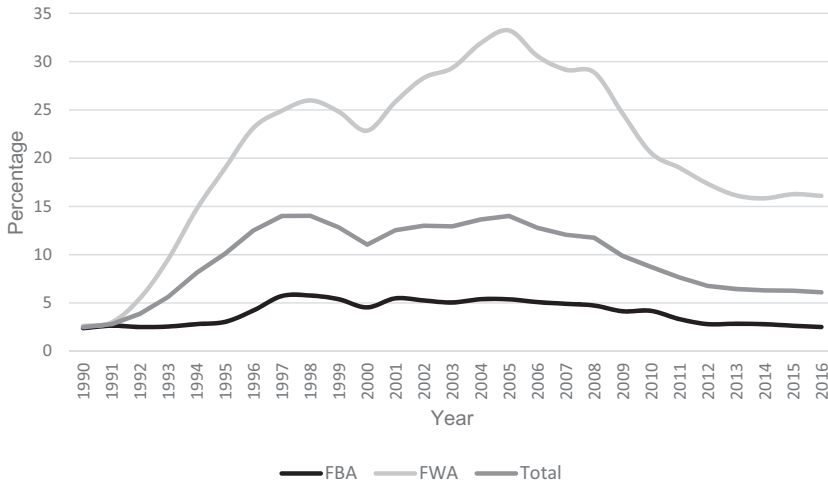
Figure 9. Percentage of Black owners in FWA by suburb, 2016.

Access to mortgages – More stands in the FWAs than in the FBAs have mortgages registered against them. In the FWAs, 42 per cent of stands have mortgages registered, compared to less than 7 per cent for stands in the FBAs.

Figure 11 shows the mortgage value in relation to purchase price. It shows that, in the FBAs, the mortgage value and purchase prices are largely aligned. In the FWAs, mortgages and sale value were similar between 1999 and 2004. During 2005 and 2006, mortgages were higher than the selling price. Since 2009, mortgage values have been substantially lower

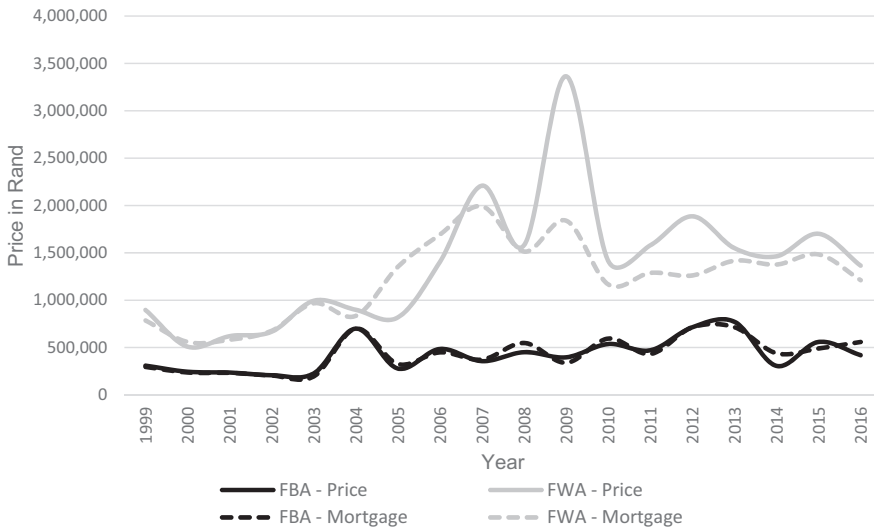
than the selling price. Banks treat mortgages in the FWAs and the FBAs differently. For example, in the FBAs, banks fund a larger percentage of the selling price using a mortgage. Two conclusions can be made. First, one of the key risks in linking housing with asset-based welfare is related to the behaviour of banks and how international financing systems play a role. Second, assets are generated over time and generation. That is why, in the FWAs, the difference between the purchase price and the mortgage is bigger.

South Africa’s four main banks, Absa, FNB, Nedbank and Standard Bank, have



Note: Five-year rolling averages.

Figure 10. Percentage of stands changing hands every five years in Mangaung, 1990–2016.



Note: We had reliable information only from 1999 to 2016.

Figure 11. Average value of mortgages registered at the time of sale for the latest transaction (2016 values).

financed nearly 90 per cent of the mortgages in Mangaung. Figure 12 shows that Absa has the largest market share, with 37.5 per cent of current mortgages originating from this bank. However, it has only 31 per cent of the market

share in the FBAs. Nedbank has just over a quarter of the market share in the FBAs and is the only one of the four banks that has a substantially larger market share in the FBAs than in the FWAs.

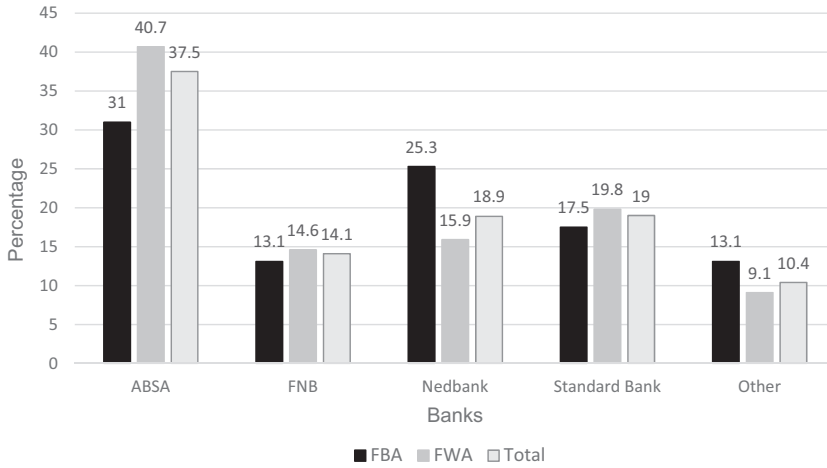


Figure 12. Percentage of market share per bank for current mortgages in 2016.

Interdicts and foreclosure – In the literature review discussed above, we noted the risks associated with financed homeownership. Foreclosure by the bank may mean that a household might not be able to recover from its debt. This has been a major problem in the former Black townships. In South Africa in 2002, properties in possession totalled more than 50,000 (Jenkins 1999). Capturing of interdicts (court orders) from the Mangaung deeds registers was not ideal for identifying foreclosure, as we could not find the reason for the interdicts. More detailed research will be required. We decided to work on the assumption that, where mortgages were

present at the time of the interdict, and there was no other reference to the interdict, this would indicate foreclosure by the bank. Interdicts that are not related to mortgages are mainly related to new homeownership legislation and rectifying existing plans. Our discussion here pertains only to what we assumed were mortgage-related interdicts.

Our data for the total number of stands for 2016 shows that, each year in Mangaung, roughly 0.66 per cent of stands with mortgages go through foreclosure. In the FWAs, the percentage is 0.59 per cent and in the FBAs it is 1.52 per cent. Consequently, between 1995 and 2016, properties in the FBAs were more than

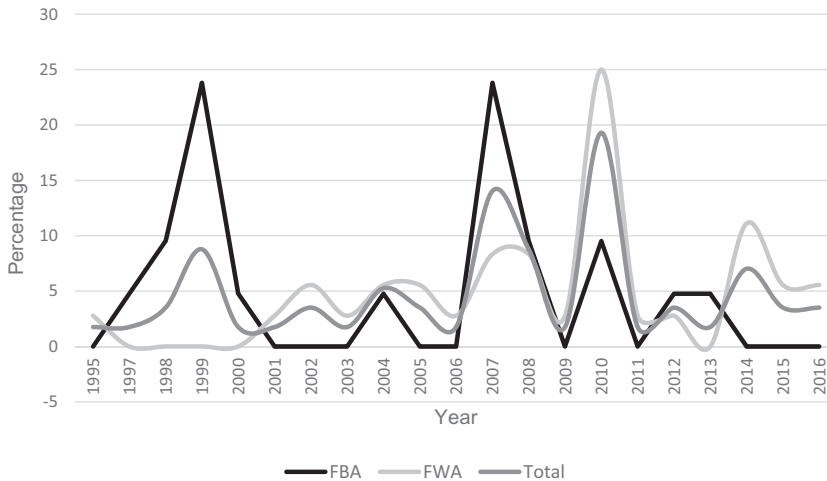


Figure 13. Percentage of total foreclosures per annum in Mangaung, 1995–2016.

twice as likely as those in the FWAs to be foreclosed. Black people's historical deprivation of property ownership, lower incomes and poorer settlement environments will have contributed to this discrepancy. These figures also support existing research that shows that bank repossessions are more likely to affect Black households (Lemon & Clifford 2005). The levels of repossession in Mangaung are much lower than those experienced in Pietermaritzburg-Msunduzi (Lemon & Clifford 2005).

Figure 13 shows foreclosures per annum as a percentage of total mortgages in Mangaung. It shows that properties in the FBAs have been far more vulnerable. The Asian financial crisis of 1997 resulted in extremely high interest rates in South Africa (as high as 20%), while job losses due to the 2007/2008 global financial crisis were instrumental in causing foreclosures in 2007. Combined, the foreclosures in 1998, 2007 and 2008 constitute more than 55 per cent of foreclosures in the FBAs. The data also suggests that the crisis immediately led to numerous foreclosures in the FBAs. In the FWAs, there was some lag, with 25 per cent of foreclosures only occurring in 2010. Households in the FWAs may have had more assets to help them keep their mortgages in the black.

CONCLUSION

This paper examined the property market in the Mangaung Metropolitan Municipality of South Africa since 1990. We assessed the differences between the property markets in the former black areas (FBAs) and the former white areas (FWAs). This assessment is important because Black people could not own property under the apartheid regime up to the mid-1980s and, despite political and legislative changes in the 1990s, the effects remain evident in the way the two markets operate. Since the advent of democracy in 1994, the state has promoted access to residential property, not only as an important means of achieving restorative justice, but also as a way of helping previously dispossessed households to accumulate assets and create wealth – largely in line with international asset-building policies.

Our assessment of the property market in the FBAs shows a low number of transactions, low prices and slow turnover of stands in secondary transactions. In 1990, a house in the FWAs of Mangaung would have seen annual growth in value of more than 14 per cent. House prices in the FWAs were supported by large-scale economic growth in the early 2000s, desegregation and easy access to mortgage finance. The value of a similar house in an FBA increased by only 7 per cent over this period, in line with national inflation. With the global financial crisis, house prices started to drop in the FWAs, but prices remained constant in the FBAs for longer – probably because of the low volume of sales, but also because of an increased demand for lower-priced houses which, in turn, could be because of the government subsidised housing programme.

Our city-based study has implications for considering social justice in South Africa and the efficacy of asset-based welfare for lifting the poor out of poverty. We found clear evidence of two different markets in Mangaung. The differences are related to the Black population's history of being excluded from property ownership and being obliged to live in poor locations with inadequate public services. Creating a functional housing market takes time, often generations. It requires improving access to market information, stimulating the involvement of market makers such as estate agents, lowering transaction costs, providing better access to end-user finance, promoting continued investment in infrastructure and the public environment and having the local confidence to participate in the risks and opportunities of the housing market. Owning property in a formerly Black area could lock a household into a property system whose slow growth makes it difficult to move on. The well-intentioned asset-based welfare system may backfire if people's assets consist of property in a poorly functioning local market where it is difficult to trade up.

Considering the international theoretical frameworks, our paper highlights three major implications. First, the evidence shows that providing title does not automatically create assets of what De Soto (2000) refers to as dead capital. The safety net associated with homeownership and asset-based development is

seldom through climbing the housing ladder. The safety net can rather be related to issues of restorative justice and creating social stability by providing poor Black people with a privilege historically only available to White people. Second, the risks are generally limited to people in FBAs who have higher risks associated with homeownership – primarily because of their historical exclusion from homeownership. Moreover, this is probably the reason two different housing markets exist. Whether time will be able to rectify this historical imbalance is not clear. Moser's work suggests a slow process of asset accumulation, but it could also be that the two markets continue to develop separately due to historical reasons. Third, the one area in which asset-building in South Africa differs from that in the US is in the one-dimensional focus on housing as opposed to a multidisciplinary approach, including education and savings. The one-dimensional nature of the South African programme is questionable.

Notes

1. The Population Registration Act of 1950 classified South Africans in terms of race (Black, coloured, White, Indian). The Group Areas Act of 1950 segregated residential areas according to this racial classification (Lemon 1991). Both pieces of legislation were repealed in 1991. We recognise that, more than two decades into democracy, a substantial portion of households cannot be defined according to these historical racial categories. In this paper we use the term 'black', mindful of this historical context.
2. The South African government uses 'programme theories' to explain the long-term goals of programmes or policies.
3. In South Africa, the word 'township' is used to describe the former Black and coloured neighbourhoods as determined by the Group Areas Act of 1950. Historically, Indians did not have residential rights in Bloemfontein.
4. The R293 towns (from Regulations for the Administration and Control of Townships, Proclamation R293 of 1962) were established to redirect Black urbanisation to homeland areas. Although these towns were managed by the apartheid state, the intention was to incorporate them into the ethnic homelands.

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