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## My home is my castle/cluster/townhouse/shack - housing in South Africa

High on the list of priorities of the ANC in government has been the delivery of formal housing for all the people of South Africa. Many people do live in some kind of formal housing, though many still live in shacks. FinScope™, a comprehensive study of the lives and circumstances of South Africa's residents, finds that however humble most dwellings are they are enormously important to those who live in them, but most do not have home insurance to protect this most valuable asset. It also finds that the use of mortgage bonds to buy housing is far from widespread.

### The nature of the castle

The most ubiquitous form of housing is a brick house or part of a brick house. Seventy-one percent of people live in this kind of accommodation. Eleven percent of South Africans live in a squatter shack, and a further 3% in a shack in an urban area. Unsurprisingly, perhaps, the type of housing differs widely according to race group:

	Total %	Black %	White %	Coloured %	Asian/Indian %
Brick house/part of a brick house	71	66	82	93	84
Squatter shack	11	14	0	2	0
Flat/maisonette/townhouse	4	2	17	4	15
Shack in an urban area	3	4	0	1	0
Backyard outbuilding/garage/back room	1	2	0	1	1
Hostel	1	1	0	0	0
Other formal/informal dwelling	9	12	0	0	0

The description "brick house" masks big difference in quality of housing, ranging from RDP "matchbox" housing and the like to almost palatial residences. The biggest problem facing government in its drive to provide formal housing for all the population is the sheer number of people dwelling in shacks of some kind. Around 4.3 million adults, mostly black, live in this kind of informal housing.

Although many homes in South Africa are rudimentary and humble, these structures are enormously important to those who live in them. Most South African adults believe that the destruction of their household or property would hit their finances hardest (25%). This is rated above serious illness or accident of a household member and the loss of employment for the main income earner.

**How full is the castle?**

Who lives in the residence differs as much as the kind of residents. Firstly, in terms of ‘household density’, there are on average 4.8 people per household in South Africa. This figure has increased from that of 4.5 recorded in 2005. Those most likely to live in the poorest of circumstances are also the most likely to have the largest households. The average number of people per household by race is as follows:

- Black - 5.1
- White - 3.1
- Coloured - 4.5
- Indian/Asian - 4.9

The average number of people per dwelling by household income is as follows:

- No income - 3.8
- R1 - R999 - 3.9
- R1 000 - R1 999 - 4.9
- R2 000 - R3 999- 5.7
- R4 000 - R6 999 - 5.4
- R7 000 - R9 999 - 4.9
- R10 000 - R14 499 - 3.1
- R14 500 - R19 499 - 3.6
- RR19 500+ - 3.8

As is evident above, the average number of people per household peaks at a household income of R2 000 - R6 999.

Black households also have the largest number of children under 16 year’s old living in the household, averaging 1.4 per household. Although the average number of children in coloured households is similar at 1.3, these figures are above the white and Indian/Asian averages at 0.6 and 0.9 respectively.

The table below outlines the average number of income earners in the home and as well as the number of job seekers.

	Total South Africa	Black	White	Coloured	Indian/Asian
Average number of income earners per household	1.6	1.6	1.8	1.9	2.2
Average job seekers per household	1.2	1.5	0.2	0.6	0.5

The effect of South Africa’s high unemployment rate is evident in the figures, with most households being home to at least one person seeking to find a job. As is evident, black households are the most stretched, with the largest household size, supported by the fewest income earners.

The table below shows the average number of income earners and job seekers per household, based on housing type.

	Brick house/ part of a brick house %	Squatter shack %	Flat/ maisonette/ townhouse %	Shack in an urban area %	Backyard outbuilding/ garage/back room %	Hostel %	Other formal /informal dwelling %
Average number of income earners per household	1.7	1.5	1.7	1.6	1.5	1.2	1.8
Average job seekers per household	1.1	1.3	0.3	1.2	1.7	0.3	2.2

### How comfortable is the castle?

Access to amenities differs vastly across homes in the country. Although most homes have access to electricity (86%), this is not matched by other basic services. Just over half of all homes have flush toilets, and just over one-quarter have access to hot running water in the home. These figures are significantly lower in the black community (39% and 12% respectively).

The incidence of goods and electronic devices in the home, by total population and by race group is outlined below:

	Total South Africa	Black	White	Coloured	Asian/Indian
TV	78	73	98	93	98
Fridge/freezer	67	58	98	93	100
Electric stove	62	53	97	90	92
Microwave oven	35	21	92	65	85
DVD player	32	22	73	53	76
Washing machine	25	9	91	67	64
VCR in home	19	9	67	35	57
Computer	10	2	55	14	28
M-Net and/or DStv	8	2	47	8	19

Having a refrigerator is an important indicator of material well-being, and in the absence of widespread gas use, so is having an electric stove. Many South Africans simply do not have what are in developed economies and, clearly, among white, coloured and Asian South Africans, considered modern necessities. To realise the scale of this imbalance, consider the absolute numbers: around 10.3 million adults, for example, do not have a refrigerator in their home.

### Who owns the castle?

Most people do not buy and pay off their homes in a traditional financial sense: 59% of South African adults have never heard of the words *mortgage/home loan*. A further 18% have heard the term but do not know what it means. In line with this, 91% have never had a home loan from a bank. Only 6% currently have a bond, with the remaining 3% stating that they used to have a bond once.

Most people claim that their household owns their home (82%). Most of these did not pay for the home as it was inherited (34%). This figure is 41% for black people. Sixteen percent of home owners say another family member paid for their home. Coincidentally, 16% of home owners (20% of black home owners) claim to have built their homes themselves, without finance or a loan. Seven percent of people claim that the government paid for their home, while an additional 4% claim to have a government subsidy. These figures are much higher for coloured people (19% and 10% respectively).

For white people the incidence of owning one's home is the lowest (65%), and of renting accommodation the highest (31%).

The number of people by race group who claim to own their own homes and are currently making bond repayments is as follows:

- White - 46%            1 015 000
- Black - 3%             520 100
- Coloured - 13%        285 950
- Indian/Asian - 18%    120 950

Few adults in LSM 1 - 6 claim to own their own homes and also currently make bond repayments. The incidence of making bond repayments correlates positively with an increase in LSM as follows: LSM 5 - 6 (3%), LSM 7 - 8 (21%) and LSM 9 - 10 (52%).

## Summary

Although most South African residents live in formal brick structures, a significant number, 4.3 million, still live in shacks, either in urban areas or squatter camps. Also, the most impoverished of our population have the greatest number of people per household, supported by the smallest income. Many households also operate without fairly basic appliances underlining the widespread poverty of many.

Clearly, most South African homes are far from being castles, but their importance for those who reside in them is enormous. The biggest financial risk that adult South Africans believe they face is the destruction of their household or property through fire or theft. Yet as home insurance coverage is low, as is the ability of people to self-insure by building up cash reserves in any form to use when disaster strikes, most people are exceptionally vulnerable to this type of catastrophe.

It is not surprising that few South Africans have a mortgage bond. Bonds are afforded to those who are assessed in the traditional credit assessment process and the real estate being funded has to have a resaleable value. Shacks and property in tribal land are not part of the formal market system. If and when these properties are brought into the formal system, through tenure or registration mortgage, bonds can in theory be raised using them as collateral.

*FinScope™ was launched in 2003 by the FinMark Trust. It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>.*

*FinScope™ SA 2006, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 894 South African residents aged 16 years and older, between June and August 2006. A nationally representative sample was drawn, which was weighted and benchmarked to the StatsSA 2006 mid-year estimates based on the Census 2001 estimate information.*

*The 2006 South African syndicate members are: Absa, First National Bank, National Treasury, Nedbank, Standard Bank, the Financial Services Board, Liberty Life, Metropolitan, Sanlam, Teba Bank and Old Mutual.*