

Column Corruption - A social disease • Part 149

Rent control and the housing crisis

This article focuses on the recently established rent control boards in context of the urban housing challenge.

It borrows extensively from an interview with Rowland Brown by *Radio Wave* on the topic on 20 November 2018.

The author and Brown are management board members of the Economic Policy Research Association.

Let us contextualise rent control. A shortage of urban housing is a critical challenge in Namibia. Since independence the challenge has escalated. The population in Windhoek increase yearly with about 2 200 people. About 40 000 people are living in informal housing (shacks) in our capital. People flood from rural areas in anticipation of a better living to mainly Windhoek, Swakopmund and Walvis Bay. Shack dwellers do not have sanitation, contributing to the recent hepatitis E outbreak. They have neither water nor electricity. Some live in riverbeds and get washed away during unpredictable floods. In short - a humanitarian crisis in our midst!

RIGHTS, DEMAND AND WEALTH

People are entitled to have access to decent and affordable accommodation in terms of the constitution, with reference to Articles 8, 16 and 21 respectively, especially where human dignity and decent living are mentioned.

Housing is primarily an economic commodity. If the demand is more than the supply, then the price increases. We have experienced housing prices peaking a few years ago. Prices still remain unaffordable for most people.



Johan Coetzee

All over the world housing is a wealth creator. If people have access to money, they tend to invest over and above their bond payment and in the process pay of their bond earlier and can then afford to buy additional property for rent and/or speculation.

Since we have a national poverty challenge, most people cannot afford decent housing. Those that can afford a second property is very rare. To service a plot of 600 square metres in Namibia costs about N\$100 000 to N\$120 000. This can be done cheaper by giving basic training to a huge number of unemployed people and consulting engineers that currently struggle to make ends meet due to the contraction of the industry by more than 40% since 2017.

The most expensive farmland in Namibia has been sold for N\$10 000 per hectare. This means N\$1 per square metre. During the auction of plots in Academia, land has been sold for about N\$1 800 per square metre. The municipality of Windhoek is effectively making a profit of 1800%.

SEVERE PARADOX

Making enormous profit from land in a country where poverty is a nation-

al disaster is a paradox of severe proportions and a disgrace to especially shack dwellers, the poor and unemployed.

Other housing ingredients are also at play in the rent control challenge. Namibia's tax to GDP ratio is one of the highest in the world. When the urban land shortage is put in perspective of massive corruption scandals involving billions in post tender overspending, i.e. Walvis Bay petroleum facility and Neckartal, it seems money is not a problem for making land more affordable.

In terms of available land, we have more than enough urban land. So if money and land are not obstacles, why is the demand for serviced urban land so high and the supply not forthcoming to suppress the price of land?

Municipalities have a monopoly in servicing land and continuously under-supply land to create scarcity, and to capitalise on enormous profit at the expense of Namibians. To service urban land to develop property involves about 22 steps. These steps have recently been increased with the implementation of the amended Sectional Title Act (Act 2 of 2009) that came in effect in 2014, making it even more bureaucratic than before to develop property. By adding more steps to the process, the delays increased and due to such delays a developer pays more interest to the lender (mainly a bank). Amidst a construction collapse the increased cost is passed on to the customer. The end result is that land is even more expensive.

HOUSING POLITICS

The Affirmative Repositioning (AR) Movement has pressed for the implementation of rent control in an attempt to make housing more affordable. A few rent control boards were created recently.

The criteria that will most probably be implemented is that rent should not exceed 10% of the total bond amount. For example, if the bond is N\$2 million at 10% over a 20-year period, the bond payment is approximately N\$20 000 per month for the landlord. The maximum allowable rent then equals the bond payment.

At the moment, rent for accommodation is suppressed due to the dire economic situation. Rent control will not ensure affordable housing. Houses

of N\$2 million are on average rented out for far less than N\$ 20 000 per month. An estate agent, Sue Mouton indicated that there is a shortage of houses to rent in especially the eastern areas of Windhoek.

As rent control boards realised that the criteria of 10% of the total bond amount is ineffective to suppress rental prices, the criteria will most likely be reduced to 9% or 8%, and could end up at 5%. The foreseeable decreasing trend of allowable maximum rent will in effect mean that to invest in property will not create wealth anymore.

Property rights is one of the fundamental elements of any prosperous economy. Domestic investors may as a result invest outside Namibia - a trend that already escalated since the revision of the Namibia Investment Promotion Act of 2016 started. Less property will be developed and the shortage of housing will increase.

The urban housing crisis cannot be addressed by rental control boards. These boards will escalate the urban housing crisis with less houses being built and more people living in shacks. Capital invested in property will leave Namibia at an unprecedented level over the years to come. Rental control boards is a symptom of an artificial monopolistic system with perverse effects that are embedded in the context of short sighted bureaucrats that constantly under supply urban land. The land crisis is further exploited for political reasons by the AR Movement that has not thought about the long-term implications of rent control.

Due to party infighting and elections in 2019, the ruling party is seemingly caving in to pressure from the AR.

Namibia is in a serious urban land and housing crisis that is going to affect not only shack dwellers but all property owners and our meagre FDI will reduce further. We should start by removing the municipal bottle neck for serviced land as one of the options as part of a series of actions that should follow.

References

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