

## THE HYPERINFLATION CRISIS IN THE URBAN RESIDENTIAL PROPERTIES MARKET OF ZIMBABWE (2000 –2005): SOME STAKEHOLDERS' VIEWS

By

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### Abstract

*This paper presents results of a research, carried out in the urban residential accommodation sector, between August 2004 and February 2005. The research, carried out in Zimbabwe's foremost metropolitan cities of Harare, Bulawayo, Mutare and Gweru, sought to establish perceptions of key stakeholder organizations in the sector on the nature and dynamics of the factors behind the residential properties hyperinflation crisis bedeviling the sector and the most lasting solution to the problem. Factors perceived by stakeholder organizations to be most responsible for this crisis of wildly rising prices and rentals of urban residential houses are speculative activities of Zimbabweans living and working abroad and profiteering tendencies of some real estate agents and high net worth individuals. Price and rent control, controlled auction market and strict implementation of the one-person-one-house policy, among others, were perceived as the most lasting solutions to the crisis.*

### Introduction

Zimbabwe's urban dwellers have, since the start of the new millennium, grappled with the phenomenon of wildly rising prices and rentals of residential properties in the main urban centers. The phenomenon, that economic commentators have termed residential properties prices and rentals hyperinflation, has spawned a number of serious social and economic problems for the urban communities, most notable of these being overcrowding, unplanned house development, mushrooming of slums and the general fall in the standard of living of city dwellers especially the vulnerable groups of women, children, the sick and the disabled.

In the face of the clear threat posed by this problem to the quality of life of urban workers, it is disheartening to note that practically no known research has been conducted to establish the nature and dynamics of the factors behind the crisis with a view to influence the development of a rational policy instrument to address the crisis. It is this scenario that prompted the writer to embark on the research.

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## Background

At the time of attainment of national independence in 1980 white citizens of Zimbabwe, on the one hand, owned most of the residential houses in low-density suburbs of towns and cities since the policies of the so-called separate development, a proxy for racial discrimination or apartheid, did not allow blacks to own properties in these areas. Municipal Councils, on the other hand, owned most of the other houses in the high-density suburbs especially those strategically located near commercial and industrial districts of the municipalities. Councils, in turn, leased the houses out, on concessionary terms, to poorly remunerated workers in order to guarantee uninterrupted supply of cheap labour for commerce and industry. The euphoria generated by the attainment of independence saw the outright condemnation of the practice of leasehold of houses to lowly paid workers by the local authorities as too patronizing and exploitative and, consequently, Government encouraged local authorities to sell the houses to the sitting tenants, sometimes very cheaply. Government itself and such parastatals as the National Railways of Zimbabwe (NRZ), Zimbabwe Electricity Supply Authority (ZESA) and even mining concern, Ziscosteel, also joined the race of selling houses to sitting tenants. As soon as the tenants got title deeds for their new properties they joined the real estate market as potential sellers and buyers. Many of these new entrants to the market did not know the risks of such a market and, as a result, a number of them have lost their houses to powerful and unscrupulous players who are in the market for a quick buck. These speculators have created a huge asset bubble in the residential properties market that has seen prices and rentals of properties shoot through the roof well and truly beyond the reach of the majority of the workers. Prices of houses in the metropolitan cities of Zimbabwe have skyrocketed so much that people are resorting to very bizarre strategies to cope with the crisis that has ensued.

Houses do not have an organized market like other assets such as shares, foreign currency, livestock, etc. What has generally happened is that a seller or lessor approaches an estate agent who recommends a price or rental for the property. Efforts to secure a buyer or lessee are made by the estate agent. For this service the estate agent gets a commission that is generally calculated as a percentage of the purchase price or rent. From 1980 up to about the late 1990s prices and rentals of houses rose so slowly that urban dwellers never thought that they could get to a situation in which they could fail to buy or rent a house in town especially those in high-density suburbs. This was mainly due to the fact that the Rent Board, a government body, exercised a certain amount of control over rental charges and, to a certain extent, sale/purchase prices as well. Since the start of the new millennium the Rent Board has been more conspicuous by its silence than anything else. Since December 2003, the Reserve Bank of Zimbabwe (RBZ) seems to have taken over the mantle of controlling purchase prices or rentals of houses but only through its generalized fight against inflation. Watchdog organizations such as the Consumer Council of Zimbabwe (CCZ), the Zimbabwe Congress of Trades Union (ZCTU), the Zimbabwe Federation of Trades Union (ZFTU) and, more recently, the Zimbabwe Tenants and Lodgers Association (ZTLA) seem to have generated more heat than substance in their lobbying and advocacy endeavours to achieve house prices and rentals that are within the reach of their constituents.

From the above account it is clear that the stakeholders who play a leading role in influencing prices and rentals of houses in the urban houses market are the regulatory authorities, the estate agents and the watchdog organizations. At the moment it is a sellers market with the estate agents and sellers calling the shots. It is against this background that the author of this paper decided to undertake a research into the matter in an effort to establish the perceptions of the key stakeholders on critical aspects of the crisis and, hopefully, contribute ideas in the search for a solution to this gigantic problem.

### **Literature Review and Theoretical Underpinnings of the Study**

Since no formal research known to the author of this paper has been carried out the literature review focused on documentary evidence of the existence of the crisis, its possible causes as well as its impact on the lives of urban dwellers. Such evidence was mainly obtained from local print media reports in the form of newspaper and journal articles. A review of international literature on the subject was also carried out to enhance a deeper understanding and appreciation of universal perceptions of the phenomenon.

The Zimbabwe Independent (July 23, 2004) notes:

In Harare prime low-density properties fetch monthly rentals of up to \$10 million while those in the high-density areas are being rented out for up to 2 million dollars.<sup>1</sup>

It is necessary to point out that these figures had appreciated by a factor of at least three times at the time of conclusion of this paper (September 2005). Under these circumstances it is not uncommon to see many workers with highly respected jobs such as teachers, nurses, university lecturers and many others residing in what can only be described as slums.

The Zimbabwe Independent (ibid) notes again:

In 2003 the Real Estate Institute of Zimbabwe announced a format whereby rents would go up every quarter.<sup>2</sup>

The practice, that has since become a benchmark in the industry, has endured up to the time of writing the report, and shows no sign of abating. At the start of the of quarterly presentation of monetary policy review statements (MPRS), by the RBZ, in December 2003, the new RBZ Governor labeled inflation “enemy number one” of the country and promised to leave no stone unturned in the search for a solution to the crisis. It is, therefore, surprising to note that after almost two years of confronting “enemy number one” the RBZ has not landed a single blow on the sector that has sustained the highest rate of inflation in the country. Arguments may be advanced that The Homelink Housing Development Scheme is a big blow to the residential properties hyperinflation. This supply-based strategy can only bear fruit, if successful, in the long term and any strategy that is based on long term prospects in a volatile economy like Zimbabwe’s may be destined for doom as conditions are changing too rapidly for any reliable forecasting to be done. There is need for short-term residential properties hyperinflation stabilization programmes to ensure that house prices and rentals are manageable to the workers to guarantee improved productivity. The RBZ’s silence over the residential properties hyperinflation has fueled all kinds of rumours pointing to the fact that the sector may be too hot a potato to handle even for its tough talking Governor. With a backlog estimated at 4

million housing units (The Zimbabwe Independent: *ibid*) the prospects of containing the hyperinflation are very grim indeed.

University and college students are among those worst affected by the crisis as The Standard (13 February 2005) notes:

A survey by this newspaper during the past two weeks showed that most students staying off the campuses were living in appalling conditions and at times ran out of food.

As a result, some of them were involved in deviant activities in order to earn a living, especially under the current economic hardships.

Owners of homes in suburbs near universities such as Mt Pleasant in Harare, Senga in Gweru and Selbourne Park in Bulawayo regularly “review” monthly rentals upwards, often “ripping off” desperate students.<sup>3</sup>

The Standard (*ibid*) quotes a former Student Representative Council (SRC) President of Midlands State University (MSU), Tatenda Chinoda (alias John Bemba) as saying:

About 5000 MSU students live packed like “sardines” in small rooms and cottages in Senga, Gweru East, Kopje, Windsor Park and Daylesford. .... Prostitution is now rife at this college. This is caused by lack of accommodation on the campus.<sup>4</sup>

A cursory comparison of prices and rentals of houses and flats in the Classified Advertisements sections of The Herald issues of 2000 and 2005 shows bewildering rises in prices and rentals of residential houses as shown in Table 1 and 2 below.

*Table 1: House Price Changes for three Harare Suburbs (2000 – 2005)*

| Suburb               | Density Status | Key House Attribute    | Date of Advertisement                              | Price in Zim. \$                                       | % Price Change (Nov. 2000 – Sept. 2005) |
|----------------------|----------------|------------------------|--|--|---|
| Zengeza<br>^<br>^    | HD<br>^<br>^   | 4 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | • \$700 000<br>• \$120 million<br>• \$900 million      | 128 471%                                |
| Borrowdale<br>^<br>^ | LD<br>^<br>^   | 4 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | • \$3.5 million<br>• \$1.8 billion<br>• \$15 billion   | 416 567%                                |
| Mabelreign<br>^<br>^ | MD<br>^<br>^   | 3 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | • \$1.8 million<br>• \$270 million<br>• \$2.65 billion | 147 122%                                |

Table 2: House Rentals Changes for three Harare Suburbs (2000 to 2005)

| Suburb                 | Density Status | Key House Attribute    | Date of Advertisement                              | Rental p.m. in Zim. \$                         | % Rental Change (Nov. 2000 – Sept. 2005) |
|------------------------|----------------|------------------------|--|--|--|
| Dzivaresekwa<br>^<br>^ | HD<br>^<br>^   | 4 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | •\$3 500<br>• \$600 000<br>• \$6 million       | 171329%                                  |
| Waterfalls<br>^<br>^   | MD<br>^<br>^   | 3 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | •\$ 10 000<br>• \$2 million<br>• \$8.5 million | 84 900%                                  |
| Mt Pleasant<br>^<br>^  | LD<br>^<br>^   | 4 bed-roomed<br>^<br>^ | • 3 Nov. 2000<br>• 31 Jan. 2005<br>• 29 Sept. 2005 | •\$25 000<br>• \$6 million<br>• \$12 million   | 47 900%                                  |

*Key to Tables 1 & 2:* HD = High-Density, LD = Low-Density, MD = Medium-Density

*Source:* The Herald Classified Advertisements – 3 November 2000, 31 January 2005 & 29 September 2005.

Assuming that the facts in the two tables above are representative of the residential properties market in Harare (I see no reason to doubt this) one can conclude, from Table 1 above, that between November 2000 and September 2005 prices of houses in high-density areas rose by about 128 471%, those in medium-density areas by 147 122% and those in low-density areas by 416 567%. One can also conclude, from Table 2 that between November 2000 and September 2005 rentals of houses in high-density suburbs in Harare rose by 171 329% whilst those in medium-density suburbs rose by 84 900% and those in low-density areas rose by 47 900%. These increases are incredible and this tempted the author to compile a similar table to determine the rates of increase, during the same period, of remuneration of a selection of employees of government, an employer notoriously known for underpaying its employees (Table 3 below).

Table 3: Salary Changes of a Selection of Government Workers (2000 –2005) 127200

| Worker                    | Year             | Basic Salary                  |                                 | % Change |
|---------------------------|------------------|-------------------------------|---------------------------------|----------|
|                           |                  | pm                            | pa                              |          |
| Office Orderly            | • 2000<br>• 2005 | • \$ 4 895<br>• \$ 913 748    | • \$ 58 740<br>• \$ 10 964 976  | 18 567%  |
| Clerk                     | • 2000<br>• 2005 | • \$ 13 304<br>• \$ 1 337 828 | • \$ 159 648<br>• \$ 16 053 936 | 9 956%   |
| Nurse                     | • 2000<br>• 2005 | • \$ 18 004<br>• \$ 2 546 350 | • \$ 216 048<br>• \$ 30 556 200 | 14 043%  |
| Tertiary College Lecturer | • 2000<br>• 2005 | • \$ 34 740<br>• \$ 4 325 692 | • \$ 416 880<br>• \$ 51 908 304 | 12 352%  |

*Source:* Assorted Salary Advice Slips

The mismatch between the increases in remuneration, on the one hand, and prices and rentals of houses, on the other hand, between 2000 and 2005 clearly shows that there is no way incomes of workers can ever be able to absorb the ever galloping rentals and purchase prices of houses in the urban areas. Mortgage lending is out of the question as *businessdigest* (Zimbabwe Independent September 30, 2005) notes:

The hope of buying a house through mortgage lending is now a pipe dream for the minimum wage earner as prices of property, particularly houses, continue to rise.

While houses in the high-density are now costing an average of \$1billion, mortgage lenders are giving loans worth \$20 million at an interest of more than 60% per annum for someone who earns a monthly salary of \$5 million. The majority of workers in Zimbabwe, whose desire is to own a house, at least in the high densities, earn far less than \$5 million a month.<sup>1</sup>

It is, therefore, not surprising that more and more households are now resorting to single rooms, plastic shacks or wooden cabins as their accommodation.

As this author was compiling this paper a new stakeholder group, the Zimbabwe Tenants and Lodgers Association (ZTLA), came into being with the following threat, from its Chairman, a Mr. Nelson Mandizvidza, as quoted in *The Financial Gazette* (January 6 – 12, 2005):

The Zimbabwe Tenants and Lodgers Association (ZTLA) has threatened to boycott paying any form of rentals until a statute regulating the charges is in place, setting the stage for a potential showdown with property owners.

The rentals are not going to be decided by property owners but by the ministry involved together with relevant human rights groups. If rentals are not gazetted, the lodgers shall declare not to pay rentals until they are regularized and gazetted.<sup>1</sup>

ZTLA chairman alleged that some property owners were "... increasing their rentals monthly and ... charging in foreign currency" (*The Financial Gazette*: *ibid*)

Another disconcerting dimension of the crisis has been the increasing incidence of cases of fraudulent activities mainly perpetrated by unregistered estate agents, unscrupulous house owners, some property developers and some dishonest lawyers. Cases of property developers selling one stand or house to more than one buyer are quite prevalent in the sector. Some of the better known of these cases are the Bern Win, Metof Investments and Cowdray Park Schemes of Mutare, Harare and Bulawayo cities respectively. In the Cowdray Park Scheme *The Property Gazette* (*The Financial Gazette*, November 25 – December 1 2004 ) described the saga as follows:

Residents will have to fork out more money to have their stands properly serviced, though they had already paid Alpha Construction for this purpose

Worse still, scores could lose their "stands" or cash because the contractor had sold more properties than those available and in some cases allocated a single stand to several buyers.

More than 100 houses encroached onto the next stand or sewer lines. But most important, the town clerk said, Alpha had not recruited buyers from the municipal housing waiting list as agreed.

A representative of the Deeds Office said the issuing of more than one title deed for a house was rare, adding any extra deeds would have to be cancelled. But compensation was unlikely for the cancelled deeds, unless the owners went to court, which would be an additional expense.<sup>1</sup>

In the Metof case the Property & Development (May 2001) journal had this to say:

The scale of the alleged Metof scam has highlighted the great risk that the general public has when they get involved in the purchase of undeveloped land or proposed residential developments where building has not commenced. It is alleged that Metof Investments have been offering for sale agricultural plots and urban residential stands in various centers including Ruwa, Gweru, Kadoma and Norton. These stands do not appear to be owned by the company, nor has the company put in place the necessary town planning requirements for subdivision, obtained survey diagrams of the stands nor commenced with their servicing. Indeed, in the case of Ruwa property all they had achieved was to sign an agreement of sale, in terms of which it was already in default. The company appears to have collected in excess of \$60 million in what it referred to as “bookings”.<sup>2</sup>

A number of causes of the crisis have been put forward by some of the stakeholders in the industry. Zimbabwe Top Companies Survey (Supplement to The Financial Gazette November 17, 2004) notes some of the causes as follows:

Property prices, especially residential properties, had been on a roll the previous year buoyed by a depreciating currency, negative real interest rates and inflationary increases in prices of building materials.<sup>3</sup>

As way back as 1997 Gulliver Consolidated Limited, a major player in the construction industry, had remarked in their financial statements that

...the group is concerned that the expected rise in the inflation rate will put an upward pressure on interest rates, thereby hindering future investment in the construction industry.<sup>4</sup>

The relentless growth in demand for residential housing in most urban areas is also cited in the Top Companies Survey of October 15, 1998:

Despite the current shortage of mortgage funds, demand for building materials, particularly cement and bricks, continues to rise although developers are now facing stiff rises in costs due to the devaluation of the dollar, as well as increased interest rates and inflation.<sup>5</sup>

In 1999 the captains of the construction industry again warned that the suspension of wholesale mortgage lending by building societies due to high interest rates the previous year had “...resulted

in a slowdown in residential property development with very little new construction available in urban centers ... Prospects for recovery of the sector, which has also been hit by escalating building costs, remain bleak.”<sup>6</sup>

In 2001 Top Companies Survey remarked again:

There was a dearth of activity in the construction and cement-producing sector despite the sudden interest in residential property by the growing army of Zimbabweans trooping to the United Kingdom and other countries in search of better fortunes.

The subdued construction activity led to a critical shortage of new residential property...<sup>7</sup>

The residential properties inflation or properties asset bubble, as it is commonly referred to in investment parlance, has occurred at various times in different countries and Zimbabwe’s regulatory authorities can learn a few lessons from these. When asked,

“Is there any real estate that is good investment?” Casey (1980), himself an international speculator, answered

I like land in some Caribbean countries – especially in the Bahamas. There are several reasons:

- All the speculation has been washed out of the market. Many pieces of land – even whole islands – are now going for 10 to 30 percent of their 1968 highs...<sup>8</sup>

Although Casey was commenting on the USA and Caribbean real estate markets the principle he was alluding to has become a universal benchmark for the real estate industry: Once speculators or the so-called investors enter the properties market, or any other market for that matter, prices will always rise. This is particularly so when the supply of the asset is static or is going down as what happened to residential houses after Operation Murambatsvina in Zimbabwe in May 2005.

Another principle that has been established from international properties inflation is that the risk of a market crash or asset bubble burst following a steep rise in property prices is generally heightened. Many market participants have fallen victim to the belief that

...as the population grows, “people will have to live somewhere” and therefore land, [and likewise, house] values should continue rising with the population. The fallacy, however, is that people don’t require a great deal of room to live; the space people “need” is far more a function of their wealth than of their numbers. And during depressions, their numbers stop increasing while their wealth takes a nose-dive.<sup>9</sup>

David Berson (AFP 2004), chief economist for mortgage finance group, Fannie Mae, wrote in a recent commentary,

...the risk of regional price declines is higher ... as so many purchases are by speculators rather than residents.<sup>10</sup>



It has also been established that cheap mortgage finance plays a crucial role in instigating property hyperinflation as AFP (ibid) notes again:

Economists say super-low interest rates have fueled the rise in home prices, making it easy to borrow money for real estate investments. But like many other hot investments, real estate could go cold quickly and send shockwaves through the economy.<sup>1111</sup> AFP (ibid)

The foregoing review paints a not-so-pleasant picture of the residential properties market in the urban areas of Zimbabwe. A crisis of monumental proportions is raging on in the accommodation sector of the urban centers. The victims of this crisis are the vulnerable groups namely the poor, the sick, women, children and the unemployed. There is need for an all-stakeholder initiative to address the problem. Stakeholders featuring, directly or indirectly, in the above review are regulatory authorities, watchdog organizations, real estate agents, conveyancers and building societies. I chose to focus on the first three as I felt that their activities had a greater likelihood of bringing sanity to the sector in the short-term than the others.

The literature review also helped the researcher identify the variables for inclusion in the questionnaire for determination of perceptions of the stakeholders on the crisis and these included interest rates, cost of construction material, speculation and foreign currency-related matters, among others.

### **The Problem**

The purpose of this study was to seek the perceptions of key stakeholder organizations in the residential properties market on the existence of a hyperinflation crisis in the urban residential properties sector, the factors fueling it and the most lasting solution thereof. In a nutshell the study sought answers, from key stakeholder organizations, to the questions:

1. Does hyperinflation exist in the residential properties market and if it does what is its extent?
2. What are the factors driving the crisis?
3. What is the most lasting solution to the problem?

### **Method**

#### **Research Subjects**

Participants in the research comprised of five (5) randomly selected strategic level employees of stakeholder organizations as shown below:

*Regulatory Organizations:* {Reserve Bank of Zimbabwe (RBZ), Rent Board, Municipal Housing Departments}

*Watchdog Organizations:* {Consumer Council of Zimbabwe, Zimbabwe Congress of

Trades Union (ZCTU), Zimbabwe Federation of Trades Union (ZFTU)}

*Real Estate Industry:* {Real Estate Institute of Zimbabwe (REIZ) and 11 estate agents.}

A total of 91 executives of stakeholder organizations, therefore, participated in the survey. Table 4 below gives distribution and response details.

**Table 4:** Questionnaire Distribution and Response Rates

| Stakeholder Group         | Organizations      | Questionnaires Distributed | Questionnaires Received | Response Rate |
|---------------------------|--------------------|----------------------------|-------------------------|---------------|
| Regulatory Authorities    | • RBZ              | 5                          | 5                       | 100%          |
|                           | • Rent Board       | 5                          | 4                       | 80%           |
|                           | • Municipalities   | 20                         | 16                      | 80%           |
| Real Estate Agents & REIZ | • 11 Estate Agents | 55                         | 45                      | 82%           |
|                           | • REIZ             | 5                          | 5                       | 100%          |
| Watchdog Organizations    | • CCZ              | 10                         | 4                       | 40%           |
|                           | • ZCTU             | 10                         | 8                       | 80%           |
|                           | • ZFTU             | 10                         | 4                       | 40%           |
| <b>TOTALS</b>             |                    | <b>120</b>                 | <b>91</b>               | <b>76%</b>    |

*Source:* Completed questionnaires

### Research Instruments

The main instrument used in the research is the closed-question questionnaire customized to each stakeholder group's needs although each solicited perceptions on the same aspects of the crisis. Unstructured interviews were also used to complement the questionnaire.

### Procedure

The questionnaire was initially administered by e-mail but due to poor response rate the researcher and MBA student assistants had to personally administer the instrument. An overall response rate of 76% was thus achieved (see Table 4 above).

The procedure was chosen mainly for its high potential to solicit ready response from the busy executives of stakeholder organizations. Its biggest weakness is its likelihood of limiting respondents' choice. With this consciousness in mind the researcher had an "other specify" part in those questions that warranted it although not many responded to it.

### Results of Survey

The survey has unraveled some fascinating insights into the perceptions of key players in the housing sectors of Zimbabwe's metropolitan cities. Table 5 below summarizes perceptions of key stakeholder organizations.

Table 5: Organizational Perceptions of Residential Properties Hyperinflation

| Question/<br>Statement   | ORGANISATIONAL PERCEPTIONS AND PERCENTAGE SUPPORT LEVEL            |  |   |   |  |  |                                  |
|--|--|--|---|---|--|--|----------------------------------|
|  | RBZ  | Rent Board   | Municipal Housing &<br>Comm. Services Depts   | Real Estate Industry  | CCZ  | ZCTU   | ZCTU                             |
| Hyperinflation exists in the housing sector                    | ● Yes 100%   | ● Yes 100%   | ● Yes 100%  | ● Yes 100%  | ● Yes 100%   | ● Yes 100%   | ● Yes 100%                       |
| What is the factor most responsible for hyperinflation crisis? | ● Zimbabweans living abroad 100%                                   | ● Real estate agents 50%<br>● Zimbabweans living abroad 25%<br>● Forreigners 25% | ● Zimbabweans living abroad 100%  | ● Zimbabweans living abroad 80%<br>● Demand for houses far exceeding supply 20%                                 | ● Zimbabweans living abroad 50%<br>● Rising cost of building materials 50% | ● Zimbabweans living abroad 100%   | ● Zimbabweans living abroad 100% |
| What is most lasting solution to the crisis?                   | ● Price and Rent controls 80%<br>● One person-one-house policy 20% | ● Price and Rent controls 100%   | ● Price and Rent controls 50%<br>● Govt. building houses 25%<br>● One person-one-house policy 25% | ● Controlled Auction Market 40%<br>● Closure of some real estate agents 40%<br>● Govt. building more houses 20% | ● Price and rent controls 50%<br>● One-person-one-house policy 50%         | ● Price and rent controls 50%<br>● One-person-one-house policy 38%<br>● Ban foreigners from market 12% | ● Price and rent controls 100%   |

Source: Survey results

All stakeholder organizations agree that a crisis of hyperinflation exists in the residential properties markets of Zimbabwe's metropolitan cities. Perceptions on factors most responsible for the crisis varied more among and within stakeholder groups and individual organizations respectively. The factor that featured most prominently is speculative behavior of Zimbabweans living abroad with a 100% support level from the following organizations: RBZ, municipal housing departments, ZCTU and ZFTU. Other factors raised are activities of real estate agents, activities of foreigners, demand far outstripping supply of housing stock and rising cost of building materials.

On the most lasting solution to the crisis, price and rent control has the highest support level with respondents from the Rent Board and ZFTU giving it 100% support. Other solutions suggested are strict implementation of a one-person-one-house policy, controlled auction market, construction of more houses by Government, closure of some real estate agents and banning foreigners from participating in the residential properties market.

### **Analysis of Results**

Analysis of results will focus on convergence and divergence of responses of stakeholder groups and individual organizations.

### **Convergence of Responses**

All respondents agree that a crisis of monumental proportions, in the form of hyperinflation, exists in the metropolitan cities of Zimbabwe. This is important, as acknowledgement of the existence of a problem, by key players in the sector, is the most crucial step in finding its solution.

Respondents also agree that the crisis is unhealthy as it is promoting the concentration of ownership of a vital national resource into the hands of a few wealthy players including Zimbabwean citizens living abroad who are engaging in speculative activities with little or no consideration for the lives of the vulnerable groups such as minimum wage workers, the elderly, the widows, the sick and children.

Respondents also overwhelmingly selected the speculative behaviour of Zimbabweans living in the diasporas as the factor most responsible for the crisis. All organizations surveyed ranked the factor top with 4 organizations out of 7 giving it a 100% support level (RBZ, municipal housing departments, ZCTU and ZFTU). This scenario poses serious challenges to the regulatory authorities. Diasporans are absentee landlords and tend to be insensitive to the problems that local people may be facing. A disturbing trend noted with houses being let out by diasporans to local tenants is the high turnover of tenants from such houses mainly because of frequent and massive rises in rentals. Such houses end up being taken up by companies or nongovernmental organizations.

On the most lasting solution, all organizations, with the exception of the real estate agents, ranked price and rent control highest with the Rent Board and ZFTU giving the solution option a 100% level of support. One-person-one-house policy implementation is also strongly

supported with 4 organizations out of 7 ranking it second only to price and rent control. The logistics of implementing rent and price control measures in a sector that has degenerated to this extent may not be that easy to handle for regulatory authorities but there is no doubt that the situation in this sector can no longer be left to rectify itself. Urban housing is a strategic facility that requires careful regulation to ensure that workers are not turned into squatters in their own backyard. Productivities of workers with no stable and affordable accommodation are known to deteriorate substantially to the detriment of the economy at large. The urban housing sector now resembles a jungle in which survival of the fittest is the overriding principle. Speculators who are just after the “quick buck” have infiltrated the sector. There is need for government and local authorities to draw up a strategy of flushing out the “sharks” from the residential properties market just as government did in the financial sector. The government’s one-farm-one-owner policy could be transplanted to the sector to act as the first step in the resolution of the crisis.

### **Divergence of Responses**

The most notable cases of divergence in response to the factor perceived as most responsible for the crisis came from the Rent Board and the Real Estate Industry. The former ranked real estate agents as the factor most responsible for the crisis. The Rent Board attributes this to three factors namely lack of strong control measures, a fall in ethical standards due to a proliferation of unregistered estate agents and the profiteering motive.

Estate agents, on their part, differed from other organizations, by ranking “demand far exceeding supply of houses” as one of the contributory factors. Whilst this may hold water, the demand for houses in the sector is, unfortunately, not just for residential purposes only. An overwhelming portion of that demand is emanating from the speculative motive and this is the portion that is the main driver of house prices and rentals in urban centers. And, by the way, demand is not just a wish but a combination of a wish and financial ability. There are people who are known to be leasing houses not because they want to stay in them but because they want to sublet these in smaller units to desperate home seekers. People are also buying houses to resell these at higher prices to realize a profit.

In the most lasting solution to the crisis the most divergent responses are:

- Closure of some real estate agents;
- Banning foreigners from residential properties market and
- Government should build more houses.

It is interesting that the solution of closure of some real estate agents is coming from the real estate industry itself. The legitimate players in the industry know that many of their siblings are operating clandestinely and reaping where they did not sow. There are dozens of these unregistered real estate agents operating illegally in the industry. A number of these indulge in unethical and, sometimes, criminal activities that tarnish the image of the industry. Regulatory authorities are urged to work with the legitimate members to flush the imposters out of the industry. Banning foreigners from the residential properties market was suggested by the ZCTU and received a 12% support level in that organization. One can read anger, in the labour umbrella

body, in this response. The sentiment, however, demands respect as the people feeling the brunt of this crisis most belong to this constituency.

Finally the response that Government should build more houses, not surprisingly, came from municipal housing departments (25% support level) and the real estate industry (20% support level). The former obviously want to recover the landlord status they shortsightedly surrendered just after Independence in 1980. The later are clearly shedding crocodile tears as, once Government builds new houses for minimum wage workers, real estate agents are likely to dangle carrots to entice the new owners into selling the new houses, once more, to the sharks.

### **Conclusion**

The study has shown that key players in the urban housing sector agree that a colossal crisis of hyperinflation exists in the urban residential properties market of Zimbabwe's metropolitan cities. However, due mainly to absence of serious dialogue, cooperation and collaboration among the key players, there is limited convergence in their perceptions of the contributory factors and the most lasting solutions to the crisis. Under the current situation the powerful players, the estate agents and the speculators, are doing as they wish without care that their actions were exacerbating the crisis. There is need for the establishment of a joint advisory body to carry out research into the sector so as to supply policy makers with sound information to draw up rational policies to address the crisis and avert a cataclysm.

### **Endnotes**

<sup>1</sup> Gono threatens to tame estate agents. (2004, July 23). The Zimbabwe Independent, p.2.

<sup>2</sup> Ibid.

<sup>3</sup> Accommodation shortage haunts university students. (2005, February 13). The Standard, p. 9.

<sup>4</sup> Ibid.

<sup>5</sup> Buying a house with mortgage now a pipe dream. (2005, September 30). *Businessdigest* p. 8.

<sup>6</sup> Lodgers want rent law. (2005, January 6-12). The Financial Gazette p. 3.

<sup>7</sup> Alpha saga shifts against buyers. (2004, Nov. 25 – Dec. 1). Property Gazette, p. 1.

<sup>8</sup> Cons in real estate. (2001, May). Property & Development, pp 13-21.

<sup>9</sup> Newly-borns struggle to find their feet (2004, Nov. 17) Top Companies 2004 – Supplement to The Financial Gazette, p. 74

<sup>10</sup> Gulliver's annual report makes sad reading (1997, Oct. 23) Top Companies Survey – Supplement to The Financial Gazette, p. 61

- <sup>11</sup> Economic woes leave construction sector largely undented (1998, Oct. 15) Top Companies Survey – Supplement to The Financial Gazette, p. 97.
- <sup>12</sup> Construction sector feels the squeeze of mortgage freeze (1999, Oct. 21) Top Companies Survey – Supplement to The Financial Gazette, p. 83.
- <sup>13</sup> Building firms fail to cash in on exiled Zimbabweans (2001, Oct. 18) Zimbabwe Top Companies – Supplement to The Financial Gazette, p. 35.
- <sup>14</sup> Casey Douglas R. (1980), *Crisis Investing*, New York: Harper & Row Publishers, p.140
- <sup>15</sup> Casey Douglas R. (ibid).
- <sup>16</sup> AFP, (2004). Is it a bubble? Experts debate surging US real estate prices [On-line] Available. <http://www.theallineed.com>.
- <sup>17</sup> AFP (ibid).

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