

# The Economic Benefits of Property Ownership from a Socio-economic Perspective

Or

Why are so many Nambians poor?



Housing depends on a foundation of land (i.e. property)





# What matters is the ownership of property





## **This talk will focus on:**

1. How property ownership and economic opportunities vary in Namibia
2. Economic benefits that might stem from property ownership



Some background to this interest:





# Ask these simple questions:

- How does that home obtain food?
- Where does it get cash income(s)?
- What makes it easy, or difficult to live in that home?
- How does the underlying land/property contribute to food and cash requirements?

# And get these answers:

- Poor people have a great variety of income streams
- Many constraints combine to make a family poor
- Most rural Namibians get much of their food, and almost **ALL** their cash from off-farm sources

- Rural properties thus provide relatively little revenue
- Most rural properties also provide no capital security
- Rural life is tough, but development policy focus on food security, with little regard for cash security or capital security

But most young Namibians seek a decent living elsewhere.....



# Some assumptions behind this talk

- All Namibians have similar aspirations **for themselves and their children**
- Every family needs a stream of **revenue** and **capital security**
- Every Namibian should have the **same opportunity to have a decent life**

*President Geingob: "... all Namibians deserve a dignified life which includes decent employment and decent shelter."*

*He forgot decent property ownership!*

# Different kinds of property ownership provide occupants with different opportunities and constraints





# In urban areas:

- Urban development and homes for low income migrants has not been a priority
- Government and its agents have limited the supply of residential land which has helped to push up prices
- Land made available for low and middle income housing was then handed to developers who push up the cost of land further

Urban continued

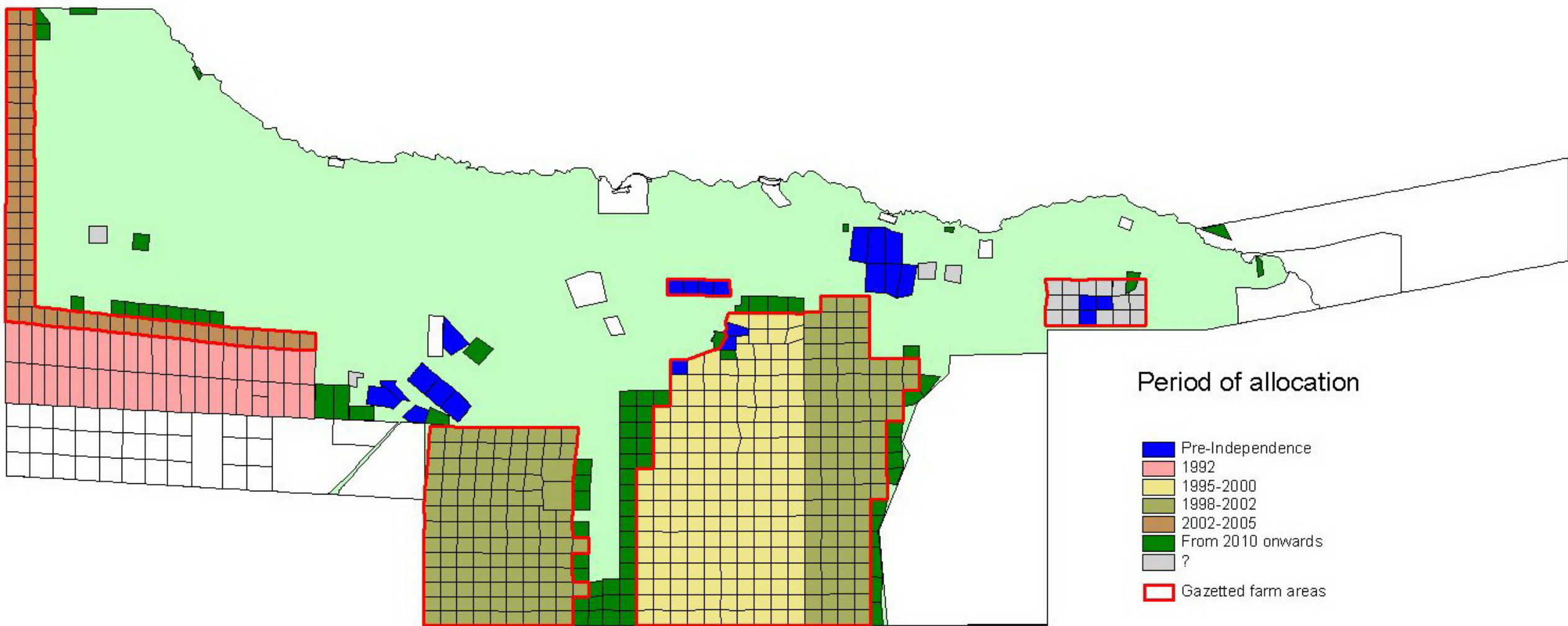
- The chances of lower income people ever owning urban land and developing its asset value are virtually nil

*About 15 to 20% of all Namibians have been prevented from owning property*



# **In communal areas on commonage land:**

- Land and its resources are to be a safety net for the poor
- Government owns the land and uses select traditional authorities as (estate) agents to control access to land and its resources
- The agents can expropriate or appropriate large areas of free land, grazing and water for the upper class





Communal land and commonages continued

- The free land, water and grazing is privatised (the safety net is gone)
- For example: most cattle in communal areas belong to people who make their living elsewhere,
- And, half of Kavango West and East now belong to about 400 families

***Result: The poor get poorer***

# Communal areas and Customary Land Rights

- Customary land rights are controlled by traditional authorities
- The land rights may not be sold, so investing in land is discouraged
- Customary land rights are for residence and crop production and should not be used for commercial gain



Communal areas and Customary land rights continued

- Customary land rights are fine for some food production, a house and family home, but they offer no financial value. Demand ?

*Result: The poor remain poor*

*And so the law prohibits another 50% of Namibians from owning land*

# In summary

- Land policy and practice has allowed the upper class to gain, often at the expense of the lower class
- Perhaps 65%+ of all Namibians cannot own property, and cannot use land to develop investments !
- These people thus lack the **opportunity** to have investments that might give them better or **decent lives**



Perhaps that is one reason why so many  
Namibians are poor



# What are investments and savings?

## And why are they valuable?

- Offer security in the long term
- Their value generally grows in real terms
- Can be passed to children for the benefit of your genes

Value of investments and savings continued

- Offer options when there are special needs
- Can be used to leverage more wealth

But only if they are tradable!

*Imagine if all freeholders were prohibited from using property as investments or capital assets?*

# So if everyone could own property, more families might:

- Liquidate part or all of a property when there is a special need for additional income
- Invest wealth in capital assets rather than imported luxuries
- Use property to obtain loans for other investments



Families continued

- Transfer the value of their property to other places
- Help their children build wealth for themselves and for their families

*Would this help reduce poverty and economic inequality?*

# Property ownership might enhance the wealth of Namibia by:

- Increasing rates of public saving that come from investing in homes and land
- Creating secure capital assets which lead to more investment and long-term confidence in Namibia's economy
- Increased lending as a result of more properties being available as collateral

The wealth of Namibia continued

- Providing more property wealth to be liquidated for other purposes
- Increasing jobs and services to properties, more trade and speculation in land, and more agents, conveyancers, builders etc

*How might GDP increase if most Namibians owned property?*



What are the long-term economic costs of **denying** property ownership and/or decent housing and services?



Thank you for your  
attention