

# **Real Estate Investment and Development in an Evolving System of Tenure in Zimbabwe**

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**Key words:** real estate, investment, development, tenure.

## **SUMMARY**

Policy is one of the major pillars of a Spatial Data Infrastructure and as such a shift in policy can change a system completely to such an extent that some functions can actually be rendered not useful anymore.

This paper is being done with the idea of looking at the effects of the land reform in Zimbabwe with major focus on the real estate industry. Major thrust will be put on the proposal to nationalize all the acquired farms. This is obviously a new system of tenure in Zimbabwe which shows a major change in policy from the government's side

This paper will contribute, by encouraging and highlighting ideas, by bringing debate to the policy makers in order to bring out the most comprehensive system that can be implemented in perpetuity without stop and go approaches were immediate shortfalls are sometimes overlooked.

The contribution of several professionals such as land surveyors, planners and others are going to be assessed to make out whether or not their invaluable contribution is being taken.

It is also the aim of this paper to make recommendations to the stakeholders on alternative ways of defining a sustainable system of tenure that upholds and guarantees security and embraces the notion that a secure tenure system is a vital cog in economic development and at the same time addresses the major drive behind the reform process which is equitable distribution.

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## **1. INTRODUCTION**

The land reform in Zimbabwe has received a lot of attention from global media both positively and negatively. It has had repercussions on a lot of national issues one of them being the real estate industry. Some pattern of ownership have evolved from the pronouncement of policy amendments and shift from the government. The change in policy is key to development of a spatial data infrastructure.

## **2. BACKGROUND TO THE LAND REFORM IN ZIMBABWE**

### **2.1 The land reform process**

Since the attainment of independence in 1980 the government of Zimbabwe, with assistance of other countries, embarked on a land redistribution exercise with the ostensible and noble idea of addressing imbalances in land ownership system which was not only peculiar to Zimbabwe but to other countries which were subjected to colonial rule. Since then the reform has been carried out in phases. These phases were adopted to suit prevailing conditions which are economic, social and sometimes political. In summary these phases were:-

- a) Phase one which covered the period 1980 – 1998
- b) Phase two which started in September 1998 and was itself made of sub phases which are:-
  - i. The Inception Phase October 1998 to June 2000
  - ii. The Fast Track Phase July 2000 December 2001

During these phases the total amount of land which changed hands adds up to nothing short of 6,2million hectares of land which was nearly, plus or minus, 3000(three thousand) farms. While there has been variations to the figure due to legal processes the figure should give an indication of the magnitude of the exercise.

Out of these figures there two models of resettlement were effected. These are Model A1, which is the villagized scheme, and Model A2, which is small, medium, and large scale commercial resettlement and peri-urban schemes.

In both these cases the proposal is that each beneficiary is offered a 99 year lease with an option to purchase and move from the lease agreement to a registered title deed.

## **2.2 The changes in policy**

Most of the changes in policy were made with a view to facilitate acquisition and making it less cumbersome on government side. This included the constitutional review of April 2000 and the amendment of the Land Acquisition Act (Chapter 20:10) in May and November 2000.

In principle when land is acquired by the state, it vests in the president, who holds it in trust of people. This land ceases to have a registered title deed in the Registrar of Deeds but can only be held by way of a certificate of state title. State land cannot be sold except by authorities who are so set up by government arms to help in the administration of such land, and unless if the buyer of state land has a title deed by way of a deed of grant, then they cannot transfer it to any other party. No transaction can be entered into.

So we have here land that has reverted to state land, land that is being leased out and a further proposal to nationalize some of the acquired farm, which have not undergone the subdivision process and transferred to individuals.

## **3. THE NATURE OF REAL ESTATE IN ZIMBABWE**

### **3.1 The scope of real estate in Zimbabwe**

Real estate Zimbabwe can be distinctly divided into urban and rural. The urban can be further be classified into commercial, industrial and residential real estate. On the other hand rural is mainly made up of privately owned farms which contributed, and still indeed do, a significant portion of total value of real estate. There is also some value to properties which are in rural setups which derive their value from being investments on leased state land whereby the lessee puts up an investment structure on a piece of land allocated to them by the state, in this case mainly Rural District Councils in their areas of jurisdiction under the Rural District Councils Act under the umbrella of the ministry of Local Government Public Works and National Housing Development. This classification is by no means a textbook classification but rather a simplification, which will help in the analysis of the subject matter.

### **3.2 The meaning of government policy on real estate**

#### 3.2.1 Rural real estate

The acquisition of land, which was done so systematically after consultations and the land having satisfied certain criteria set out by the state, was done compulsorily with a value for compensation having been reached. There was, as most certainly expected, a row as to what value a property should be assigned as the government valuer and the private valuers always differed largely due the question of what value was to be used. It was made clear on the part government that no compensation was going to be paid as regards to the value of the land and that they would pay for the improvements on the farm only.

When it comes to that and also taking into cognizance the fact that no machinery was to be moved from these farms it was always going to be problematic as to what value will be given to say a 5 year old Massey Ferguson tractor which has always been well maintained by the farm owner. The book value will always be say zero but if the tractor was to be sold on the open market it would fetch maybe as high as two thirds of the current value of a new tractor. This affected those whose farms which were not designated for acquisition since there was uncertainty on whether or not they will be the next in line. On the other hand the fact that a farm which was utilized as a single entity has been allocated to many people does affect the worthiness of it either negatively or positively. The issue of neighborhood ness can also be sensitive based on the symbiotic relationships between farm owners.

### 3.2.2 Urban real estate

This sector has gained popularity with investors, as there has been so much activity, in as far as the reform process is concerned. There has been subdivisions of farms near urban center by mainly private developers after the incorporation of these places into areas serviced by local authorities. The government on its part has also encouraged the formation of housing co-operatives which have been given farms to subdivide into residential areas. In this respect there has been quite a lot of activity with good and bad coming from the quality of the developers.

## **4. PROFESSIONALS AND INSTITUTIONAL PARTICIPATION**

While the role of economic, social and political planners is very much well appreciated as the backbone of any national policy, it can be said safely that these are the people who decide what role is played by the technocrats who are put into various arms of government to effect policy. It is therefore not in this paper that these are considered, but mostly the impact of those who they appoint who are:- Physical Planners, Real Estate Practitioners, Land Surveyors as well as the institutions that facilitate the flow of information and resources such as banks.

### **4.1 The Physical Planners**

The government administers physical planning through the Regional, Town and Country Planning Act Chapter 29:12. The administration of this act is done through the ministry of Local Government Public Works and National Housing Development and there are provincial structures which were actively involved down to rural district councils.

The Act provides for the production of Regional plans, Master plans, Local, Plans and Operative plans.

Most of the acquired farms that fell under the model A2 had plans drawn by the department of Physical Planning setting out the hectorages and the number of units created and recommended through the relevant ministerial departments the uses into which these pieces of land were going to be put. After the drawing of the plans the estimated plots were marked physically before the beneficiaries came to be settled.

## 4.2 The Land Surveyors

Government proposes that the resettled people are given leases of 99 years with the option to purchase. In terms of The Deeds Registries Act Chapter 20:05, a long lease needs to be registered and the only time when a lease can be registered is when it is on surveyed land. Surveying here means in accordance with the Land Survey Act Chapter 20:12. The Land Survey Act provides that a subdivision for the purposes of registration of title in the deeds office can only be carried out by a registered land surveyor executing a subdivisional permit from a local planning authority granted in terms of Section 39 of the Regional, Town and Country Planning Act Chapter 29:12 or a state instruction coming from the Surveyor General's Department which is an arm of the new ministry in the president's office responsible for resettlement.

While the planners have so far done their part little has been done by way of effecting title surveys as only a few state instructions have been issued to that effect. This means that the leases for now cannot be registered in terms of the relevant statute.

What this also means is that no title deeds can be granted to the resettled people and this is a major factor in issue of security of tenure and development.

However there has been moves by the council of land surveyors to approach the ministry to make known the availability of their services and understandably there is consultations going on between the ministry and its arm, the department of the surveyor general, on the way forward.

## 4.3 Financial Institutions

The major role of banks in real estate is the giving out of mortgage loans in the case of building societies for the purchase and or putting up of structures on stands. Commercial banks in Zimbabwe have been largely known for providing loans to farmers while holding the title deed to the property and this worked very well for an economy that is agriculturally driven. With the reform process there has been little participation from financial institutions that were traditionally known to. What happened was that when some farms were acquired with pending bond repayments there was a problem as to what was going to happen to the outstanding loan repayments. Was it the outgoing farmer or the acquiring authority? The other question is whether or not the government had enough resources and the means to administer them without the help of the traditionally practicing banks. Are the traditionally know banks prepared to take the risk by giving out loans to the new farmers and with what form of security?

On the part of government, the setting up of the Agricultural Bank of Zimbabwe was a welcome move as they are the ones who can offer loans to resettlement beneficiaries on the basis of a letter of offer for a piece of land and a well thought out proposal on how the land is going to be utilized. Is this bank equipped with enough capacity to help all the farmers and to

what effect does this have on the development of the pieces of land in terms of value addition and long term investment? What is going to happen in the event that a farmer does not repay their loan? Is such risk sustainable and what rate of growth is this expected to give on the economy?

In the case of the peri-urban areas where housing co-operatives have established there has no support from the building societies because of the fact that there has not been any title surveys and as a result no title deed can be registered for the land parcels created.

#### **4.4 The real estate practitioners**

In as far as the reform programme is concerned the management of leases is sole responsibility of the local government authorities. The housing co-operatives have also been mainly under the leadership selected within the resettled people.

Private property developers have been quite active in the urban areas finding this section to really active. This may be a result of a whole lot of other fact which may or may not stem directly from the reform program. Lots of parcels have changed hands. There has also been some conflict between private developers and resettled people whereby already subdivided farms were earmarked for resettlement. This meant some loss of investment on the developer and in some cases a purchaser.

### **5. EFFECTS OF THE REFORM AND EMERGING PATTERNS IN REAL ESTATE**

It is basic real estate thinking that a commodity that cannot be sold is valueless. If it cannot be expressed in dollars and cents then its worthless. If we define nationalization as declaring land to be state owned and cannot therefore be sold it means that that land is not marketable and thus worthless.

When a resettled farmer is given a 99-year lease with certain developmental conditions the question is whether they feel they can meet the conditions and whether they feel secure enough to start any meaningful development on the property.

The non-participation of some financial institutions may mean that there is not enough money on the market to sustain any meaningful investment of a parcel and this may even diminish the already existing development.

#### **5.1 Temporal insecurity of tenure**

While it is true that the reform process is in line with the recommendations made by the Prof. Mandivamba Rukuni Commission on land in 1988, (This commission was well constituted by relevant professionals given adequate resources to do a thorough research), the fact that the beneficiaries of the program were settled before title surveys means that it largely remains insecure for them and cannot invest comfortably in the properties because it is not certain whether they will remain there. The draughting of leases has also been slowed down for the

reason that such a lease needs the land to be surveyed and should have a diagram or a dispensation certificate to the fact that it will have been surveyed. This means properties for now have largely not been developed and little value addition done do them. In some cases there has been a decline in the quality of infrastructure at farms largely because the lack of support from financial houses, which is largely because the banks cannot offer loans without collateral, meaning breaking down of the infrastructure goes for some time without correction.

Those who have managed to do meaningful production on the farms have sought to invest in the urban areas where they can be granted title deeds. This has given rise to a pattern of demand in the urban areas which was good for the private property developers who can sell their investments.

## **5.2 Rise in the number of real estate firms**

While it can be admitted that there is a whole lot of other factors which have contributed to the growth in the number of real estate firms, like shifting of investments from the money market to real estate as a hedge against inflation, it can also be attributed to the activity related to the change in patterns as investors feel that rural real estate investment is not very secure. The increase in demand of properties in the urban areas has attracted lots of players.

The prices fetched by the properties in urban areas have also risen significantly to such an extent that few working people can afford to borrow mortgage loans from building societies.

In other words what has been lost in the rural real estate is manifested in the urban areas at an even larger scale. As an example a house that was bought for

Zim\$500 000-00 (five hundred thousand Zimbabwean dollars) is now worth

Zim\$115 000 000-00 (one hundred and fifteen million Zimbabwean dollars). Even after taking out the inflation factor there is notable rise in the value of the property

While the private developer has had some competition from the housing

co-operatives it has been noted that the rate of development by the co-operatives has been a little slow and this has given advantage to an organized private developer with most of them producing very good results. It is felt that they, private developers have more security since a buyer can get title deed soon after paying the full purchase price.

## **5.3 Rise in activity in cadastral surveys**

The number of applications by private individual wanting to subdivide their farms rose significantly mainly because there was a feeling among farm owner that the way to reduce chances of having their farms acquired was to reduce their size or at least in the event of acquisition they will have been able to sell part of the subdivisions. However the process is so long so much such that not many of these farms have been given the green light since the process is regulated by a subdivision committee in the ministry of land who seem to have noticed the trend.

On the other hand in the peri-urban areas there has been a significant number of township layouts carried out for private individuals. This has made land surveyors significantly busy. These are noted by cadastral surveyors to be the most paying and also the change in value per square metre is much easier to effect on the smaller parcels than it is on a large piece of land.

It can also be noted that there is a significant part of Zimbabwean population working abroad and these too notably are not much interested in the out of town properties but concentrate on developing residential stands in urban areas. This has seen a big chunk of the local wealth going into real estate giving rise to a lot of business to established real estate management companies.

#### **5.4 The good old and the magnificent new**

The rise in activity on the property market has seen good and expensive old suburbs retaining their status mainly because the private developer cannot match the size of stands of the old suburbs versus the service costs. What has happened is that the old structures on large plots cannot match the new designs of the current architect. Some of the plots in the low density suburbs have also been subdivided and sold out. The cost of demolishing has prohibited redevelopment of structures whose aesthetic value has been overtaken by time. In some cases owners would actually have considered selling their houses at lower prices for them to start development on newer ground putting up good structures.

It is within the newer suburbs that magnificent structures have been put up on mainly half an acre stands and sometimes bigger. The value compares significantly to the old good suburbs whose names and location bear more of their value than the structure on them.

#### **5.5 The bad new neighbor**

This has been noticed in the case on co-operatives setting up in prime residential areas and have not managed to effect any meaningful development, the adjacent suburbs have suffered. It is mainly in the area of infrastructural development that these co-operatives fail and this makes it unattractive for the prospective investor.

#### **5.6 The banks and selective availability**

There has been little participation of traditionally know banks in funding of developmental projects. For some it has been for political reasons, for some it has been for insecurity of investment climate.

The bank which has received government nod on the administration of funds directed towards resettlement has benefited and grown in business.



In what also turned to be scandalous scenarios commercial banks turned out to become the property developers since it has proved to be a safe heaven for investment. Them too concentrated on urban real estate.

## 6. CONCLUSIONS

It is clear that there has been a change of focus from the broad sense of urban and rural real estate, that there is more focus on the urban sector due to the temporal insecurity of tenure on parcel holders in the rural setups. The fact that very few institutions, financial, are participating in the funding of the projects in the newly created parcels has also meant that development is coming at a much slower pace.

While the contribution of various professionals is appreciated it is notable that that of land surveyors has been very minimal mainly because there has not been enough funds to pay for the surveys. It is from this that the security of tenure, as far as current legislation is concerned, can be guaranteed. The usefulness of the land parcel to a moneylender is key as to whether or not they are prepared to commit their monies to it. The fact that a piece of land has title deeds does not necessarily mean that it becomes credit worth immediately. There has to be a meaningful contribution as well from some sectors like those from the department of agricultural research, with the careful monitoring of farming activities for sustainable production.

This goes as well for the land which was acquired for residential purposes. The government should monitor the development of infrastructure as the bare minimum that will encourage investment in those areas by some private players. Title surveys in these areas a just as well mandatory maybe even more than they needed in the rural areas.

While it is appreciated that the role of government has been outstanding in making the land available, it is also important that the distribution of real estate wealth is not left so skewed to a situation where all this wealth is in urban areas. this can only lead to skewed developmental patterns, which in most cases can lead to uncontrolled rural to urban migration and subsequent crowding of infrastructure such as sewerage.

The recommendations of the Prof. Mandivamba Rukuni Commission may need to be sequentially followed so that the perceived results are produced. Such a coherent approach would certainly need the involvement of a lot more financial institutions to help in the administration and funding of resources made available by government. As an example the concept of built own operate and transfer (boot) can be applied to the provision of infrastructure to private investors in urban who will run say the sewerage reticulation for some time and then transfer it to the local authority. It is most likely to work because there is very little chance an established suburb will vanish and as long as rates are being paid there is security that the investor will get their money back.

While there has been a rise in the activities of private developers in the recent years it is important that local authorities closely monitor their developmental proposals to ensure

quality development and not quick buck makers getting away with investors monies after selling off shady developments.

As part of the SDI development, the government needs to continue, with amendments were necessary, to implement the findings of the well-funded researchers to ensure that its intended ends are achieved. Such policies are sometimes textbook developmental policies and so have to be constantly reviewed to suit the prevailing situations. Real estate wealth can be a vehicle for development as such its development is critical and this needs the support of a suitably crafted policy as a stepping-stone for the building of a viable SDI.

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