URBAN LAND MARKETS AND THE POOR: NEW FINDINGS

By Warren Smit, for Urban LandMark, June 2008

Urban LandMark has completed a study which shows that although there are functioning urban land markets in the poorer parts of South African cities, these markets are not working well for the poor.

Urban LandMark is a programme intended to contribute towards making urban land markets work better for the poor, and is funded by the UK's Department for International Development (DFID). Urban LandMark originally commissioned Isandla Institute, Stephen Berrisford Consultants and Progressus Research to investigate how poor people in South Africa access urban land.

As part of this research they undertook in-depth interviews with 74 households, in nine settlements in Ekurhuleni, Durban and Cape Town, about how land was accessed, held and traded. The findings of this survey offer a unique overview of how poor households access, hold and trade land and housing in South African cities. The study builds on and adds to the previous work undertaken by Urban LandMark, and reveals new insights which have not been publicized before.

The study shows that urban land markets exist in the poorer parts of South African cities and that they are a complex mix of financially-driven processes, processes mediated by local community-based organisations and processes mediated by the state. The study also shows that there is a wide variety of sub-markets in the poorer parts of South African cities. These sub-markets include ownership of a shack in an informal settlement, rental of a shack (or of a room within a shack) in an informal settlement, rental of a backyard shack in a township (or having one's own shack in rented backyard space), rental of a room in a township and ownership of a RDP housing (either in an upgrading project or a greenfield project). Each option has various advantages and disadvantages, and respondents usually made conscious choices between different options (except with regards to RDP housing, where choice was limited). Different options are suitable at different stages in the history of households and individuals, and there is frequent movement between options. For example, one of the respondents in the survey, in the Somalia Park informal settlement (in Ekurhuleni), had lived in more than 20 different places in Gauteng since moving there in the 1970s (including other informal settlements, renting rooms or backyard shacks in townships, staying in domestic workers' quarters, and living in hostels).

The study shows that the key factors on which people usually base their decision-making on where to stay at particular points in their lives include: adequacy of location, adequacy of shelter, adequacy of space, adequacy of services, affordability, physical security, security of tenure and future prospects for accessing RDP housing.

Adequacy of location depends upon proximity to jobs, shops, facilities and transport). Rental accommodation in an established township seems to offer the best location, as older townships are usually centrally-located and have developed transport links and a range of facilities over many decades. Informal settlements can also offer a relatively

good location (and this is often the reason why people occupy a specific piece of vacant land). Greenfield RDP housing projects seem, in practice, often to be less well-located than the informal settlements where recipients of RDP houses used to live. An example of the importance of location in decision-making about where to live is a respondent who moved to the Somalia Park informal settlement “because it was closer to the factories... I looked at the factories, and I saw that it’s better here… because if the factories are close by you can get there on foot, not worrying about the money”.

Adequacy of shelter is essentially about the permanence of the structure and protection against the elements. Rented shacks generally provide the lowest standards of shelter (in the survey, tenants in rented shacks almost always complained about leaks). Shacks that the occupants own themselves are usually of better quality than rented shacks. Rented formal rooms and RDP houses have the highest standard of shelter. For example, a respondent in Old Dunbar (in eThekwini) said of his new RDP house: “When you go away you are not afraid that the candle will burn the shack or when is raining you are not scared that the water will enter the house”.

The adequacy of space relates to both indoor and outdoor space. Rented rooms, backyard shacks and rented shacks in informal settlements generally have the least amount of space. For owner-occupants in informal settlements, the sizes of shacks and sites can vary enormously, from one-room shacks and little private outdoor space in an overcrowded informal settlement to larger shacks and larger sites (with extensive gardens) in less-dense settlements. The sizes of RDP houses and plots are often smaller than the largest shacks and sites in informal settlements, but they obviously have much more space than rented rooms or backyard shacks. Even one room can sometimes seem spacious, though – one respondent in a rented room in Wattville (in Ekurhuleni) had moved there with her child after she had previously been sharing a room with her sister and her sister’s child: “We were four all together in the room and it became too small for us”.

With regard to the adequacy of services, informal settlements have the lowest level of services (usually just a few communal taps, and perhaps some portable toilets). Some households may have connections to electricity (either legal or illegal) but many do not. Access to services is better in backyard accommodation, as there will usually be access to water, flush toilets and electricity on the plot. RDP houses have the highest standard of services. Having adequate services can make an enormous impact on people’s lives; for example a respondent said of his relocation from an informal settlement to a RDP house in Delft (in Cape Town): “When I arrived here, we became all satisfied because we have water and toilets are inside the house”.

The issue of affordability relates to both upfront costs and ongoing costs. In most cases, the upfront costs for getting accommodation are very low. For RDP housing, some respondents had to pay R350 to have electricity installed, and for rental accommodation some respondents had to pay a deposit of up to R300. Buying a shack or the materials for a shack can, however, be considerably more expensive. The materials for shack can cost up to about R2000, although, on the other hand, some shacks were bought and sold for few hundred rand, and one respondent said that he built his shack from scrap material that he found, so it did not cost anything. With regard to ongoing costs, having one’s own shack in an informal settlement is probably the most affordable option in the longer term (even if the higher cost of paraffin, as opposed to electricity, is taken into account), as no rent needs to be paid. Renting accommodation in an informal settlement

or renting a backyard shack (or renting space in the backyard for one's own shack) requires a relatively low monthly rental to be paid (typically not more than R150 per month). For rented rooms and RDP houses a higher monthly cost needs to be paid (ranging from R250 to R300 per month, including water and electricity, for rented rooms, and ranging from R200 to R400 per month for water and electricity charges in RDP housing settlements). An example of someone deciding where to live largely because of reasons of affordability was a respondent who moved to the Somalia Park informal settlement: "I saw Somalia Park as a place where I can live without expenses every month. I saw that, to me it could be an affordable place to live".

Respondents in the survey placed great emphasis on the issue of the physical security of dwellings. Shacks in informal settlements have the least security and are easily broken into (or can even be stolen while the occupant is away, as happened in one case in the survey). Renting one room in a multi-roomed shack with a number of other tenants probably provides more security, as there would usually be more people around than in the case of a stand-alone shack. RDP housing also provides more security than a stand-alone shack because the house is more solidly constructed and less easy to break into. Backyard accommodation can provide the most security as there are normally a number of households in the yard and the main house, and there would always be people present. For example, a respondent who lived in backyard rental accommodation in Wattville said "The benefit about this place is to be safe… I have an advantage by staying under someone's roof, because my belongings are safer than staying in the squatter camp".

Security of tenure (i.e. the amount of certainty about being able to continue to occupy a dwelling or piece of land) was also an important issue. Renting accommodation is the least secure form of tenure, as the landlord can evict their tenant at any time (but as long as the tenant pays the rent, the tenant can be quite secure in practice). The one exception is in renting a shack in an informal settlement – as shown by some of the interviews, the local community-based organisation can intervene in cases where the landlords try to evict tenants, and the tenant can end up as the *de facto* owner. Having one's own shack in an informal settlement is considerably more secure than renting accommodation; recognition of one's claim by the local community-based organisation and neighbours (and recognition by the municipality in shack numbering exercises) can result in quite a high security of tenure. RDP houses, of course, usually have the highest security of tenure (for the initial owners; for informal purchasers of RDP houses there would be low security of tenure). A respondent in the Kingsway RDP housing settlement (in Ekurhuleni) expressed the importance of a documented claim to land: "I saw that it was important to have a title deed, because that is what confirmed that this is my house. Because being told verbally that the house is mine does not definitely guarantee that the house is mine".

The future prospects for accessing RDP housing can be an important issue in deciding on where to move. Current government policies prioritise informal settlement residents for RDP housing, and this can sometimes contribute to people from other options (such as backyard accommodation) moving to informal settlements. For example, a respondent in the Enkanini informal settlement (in Cape Town) said his friends had advised him to move to the settlement from the backyard shack where he had previously lived: "They said that this place could be developed soon... So we knew that if people move together to one place, that place would be developed. So we did not want to be left behind".

The urban land market can be said to be working well for the poor if households are able to access a variety of different options that reasonably satisfy the above requirements. In other words, urban land markets can be said to be working well for the poor if poor households are usually able to access a range of options that can provide reasonably adequate shelter, services and physical security in a reasonable location at a reasonably affordable cost and with a reasonable *de facto* security of tenure and reasonable prospects of upgrading to a more formal option if desired. This is clearly not the case at the moment. Although people are, for example, able to access relatively good locations and affordable accommodation in informal settlements and adequate shelter/ services and secure tenure in RDP housing settlements, they are seldom able to satisfy more than a handful of the above requirements simultaneously (and major trade-offs usually need to be made). Therefore, the land markets in the poorer parts of South African cities cannot be said to be working well for the poor.

Another problem with land markets in the poorer parts of South African cities is that, whereas there are many options available for poor households towards the “informal” end of the continuum (for example, in terms of location, type of accommodation, forms of tenure and affordability levels), there are very few options for poor households towards the “formal” end of the continuum. The only current “formal” option for most poor households is a RDP house, and poor households generally have little or no choice when it comes to RDP housing (i.e. location, type of accommodation, form of tenure and affordability level). Generally, a standardised product is provided in a few locations. Although RDP housing settlements provide adequate shelter, adequate services and adequate security of tenure, in terms of location, affordability and size (indoor space per capita) they are often less adequate.

In order to address these inadequacies and contribute towards the development of urban land markets that better meet the needs of poor households, a range of interventions are required. These intervention should include, firstly, a wider range of subsidised housing options for all categories of need. Secondly, informal settlements should be incrementally upgraded where appropriate, rather than automatically being relocated (although, of course, in some cases relocation may be unavoidable). Thirdly, the provision of good quality backyard rental accommodation should be stimulated.

Through these interventions it would be possible to ensure that there are more options provided by the land markets in poorer areas and that these options are more adequate. Ultimately, we need to work towards land markets that work better for the poor, where households are able to access a variety of different options that meet their needs, and where more households are able to have legally-recognised tenure so that they have greater long-term security and that owners of property are able to sell their properties at reasonable prices when they wish to.

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