

INFORMAL RESIDENTIAL MARKETS INTRODUCTION

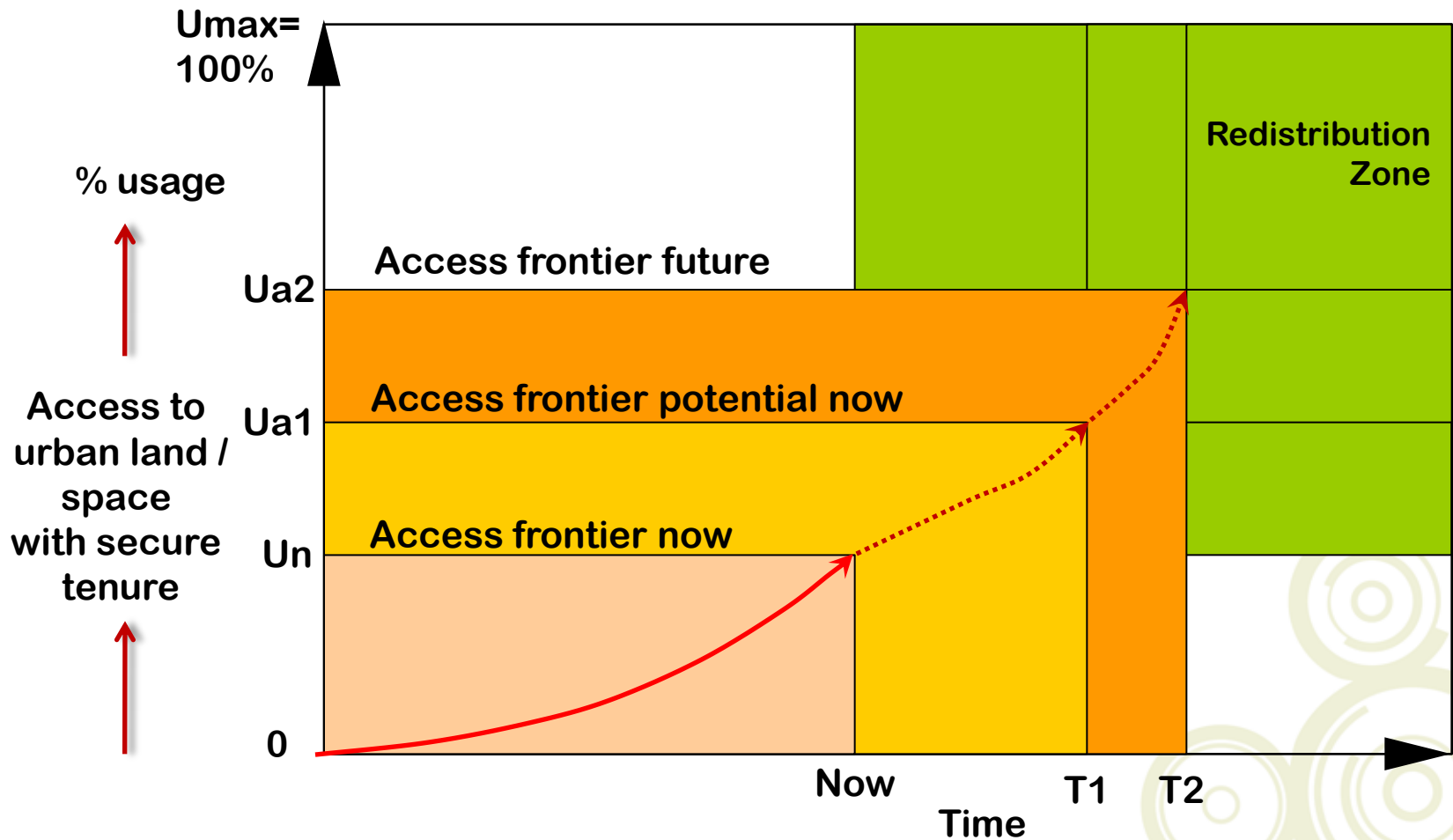
- Typical component residential elements of a SA township.
 - Old township (51/9) houses (with and without backyard accommodation)
 - Hostels
 - RDP housing
 - Informal settlements
 - Vacant land suited for residential purposes
 - Sometimes - Middle income/gap housing

INTRODUCTION

Conceptual tools/ starting points

- Access frontier
- Transaction process
- Understanding the spectrum between socially and financially dominated markets
- Understanding housing as an asset – social, economic, financial

Market development and the access frontier





Delft,
Cape Town
1989



Kingsway,
Ekurhuleni
1989



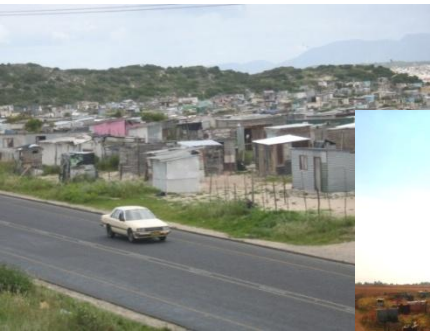
Old Dunbar,
Durban
1993



Sobonakona
Makhanya,
Durban
1859
(customary)



Manenburg,
Cape Town
1960s
(council
rental)



Nkanini,
Cape Town
2003



Somalia,
Ekurhuleni
1989



Blackburn Village,
Durban
1987



Wattville,
Ekurhuleni
1941
(backyard
shacks)

TRANSACTION PROCESS

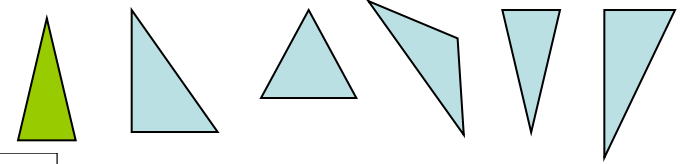
- Steps in a transaction
 - Finding people to transact with
 - Recognising others to transact with
 - Calculating/valuing
 - Contracting (or making the agreement)
 - Holding land (accruing rights)
 - Terminating

	RDP	Informal settlement	Specific area
Cape Town	Delft (4)	Nkanini (3)	Manenberg (37)
% transactions in last 5 years	14%	15%	16%
Self-allocated		83%	<i>Council housing</i>
Ekurhuleni	Kingsway (7)	Somalia (16)	Wattville (65)
% transactions in last 5 years	11%	38%	68%
Self-allocated		24%	<i>Backyard shacks</i>
eThekweni	Old Dunbar (10)	Blackburn Village (20)	Sobonakona Makhanya
% transactions in last 5 years	8%	24%	31%
Self-allocated		15%	<i>Customary tenure</i>
Average	11%	26%	

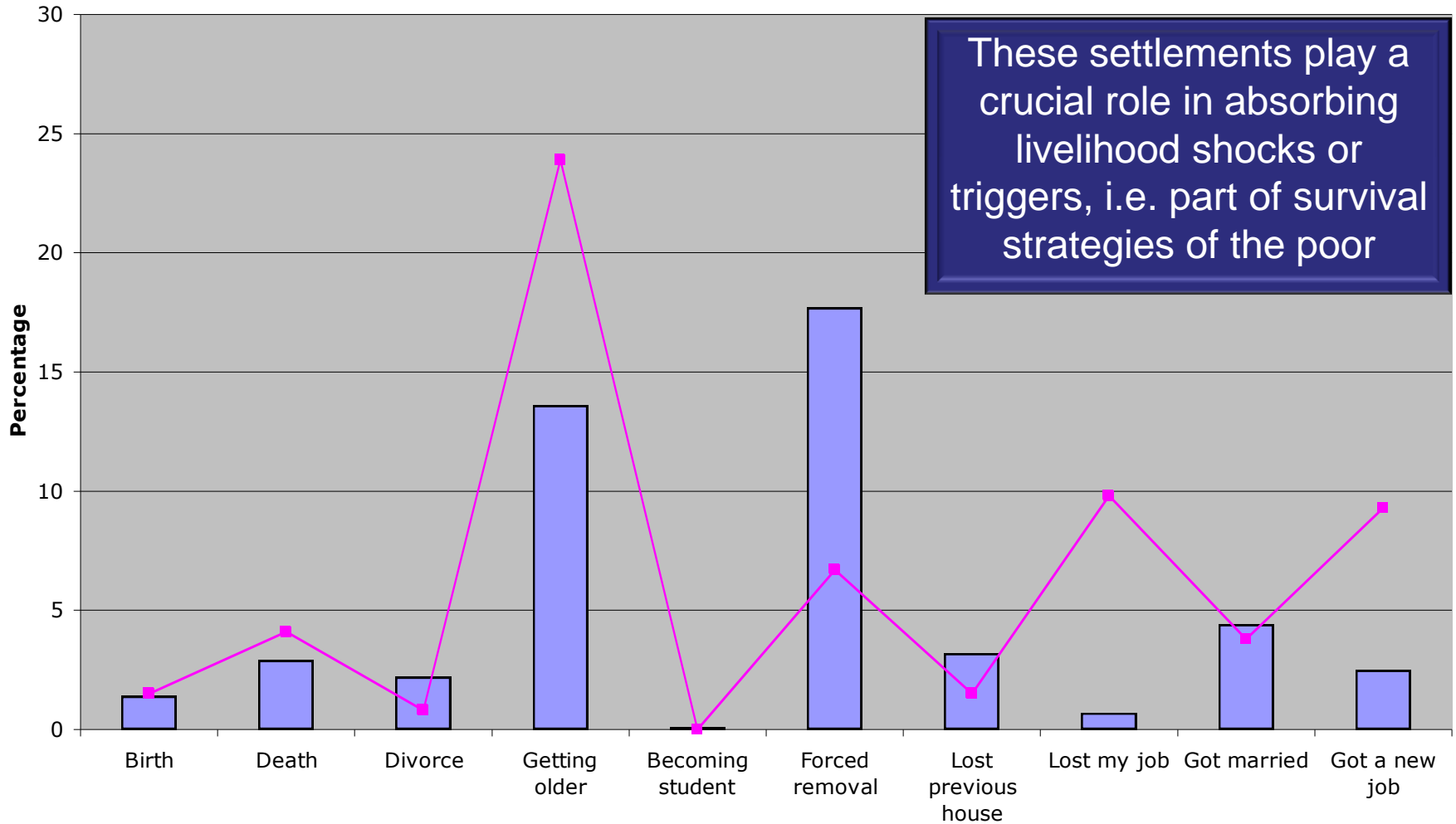
RESEARCH FINDINGS

- Land markets are not absent in the poorer parts of our cities
- In every five years, an average of 26% of households in shack settlements exchanged houses
- In RDP housing, while there is a state limitation on the resale of houses for five years, some 11% of households were transacting.
 - 6% seen as sales
 - average house prices of between R5,750 and R17,000
 - almost all off-register - title deeds not officially changing hands
 - state officials often called in to witness
- In one settlement where transactions in backyard shacks were measured, almost 70% of households had moved into their rented accommodation in the last five years.

Motivations for moving into house / shack

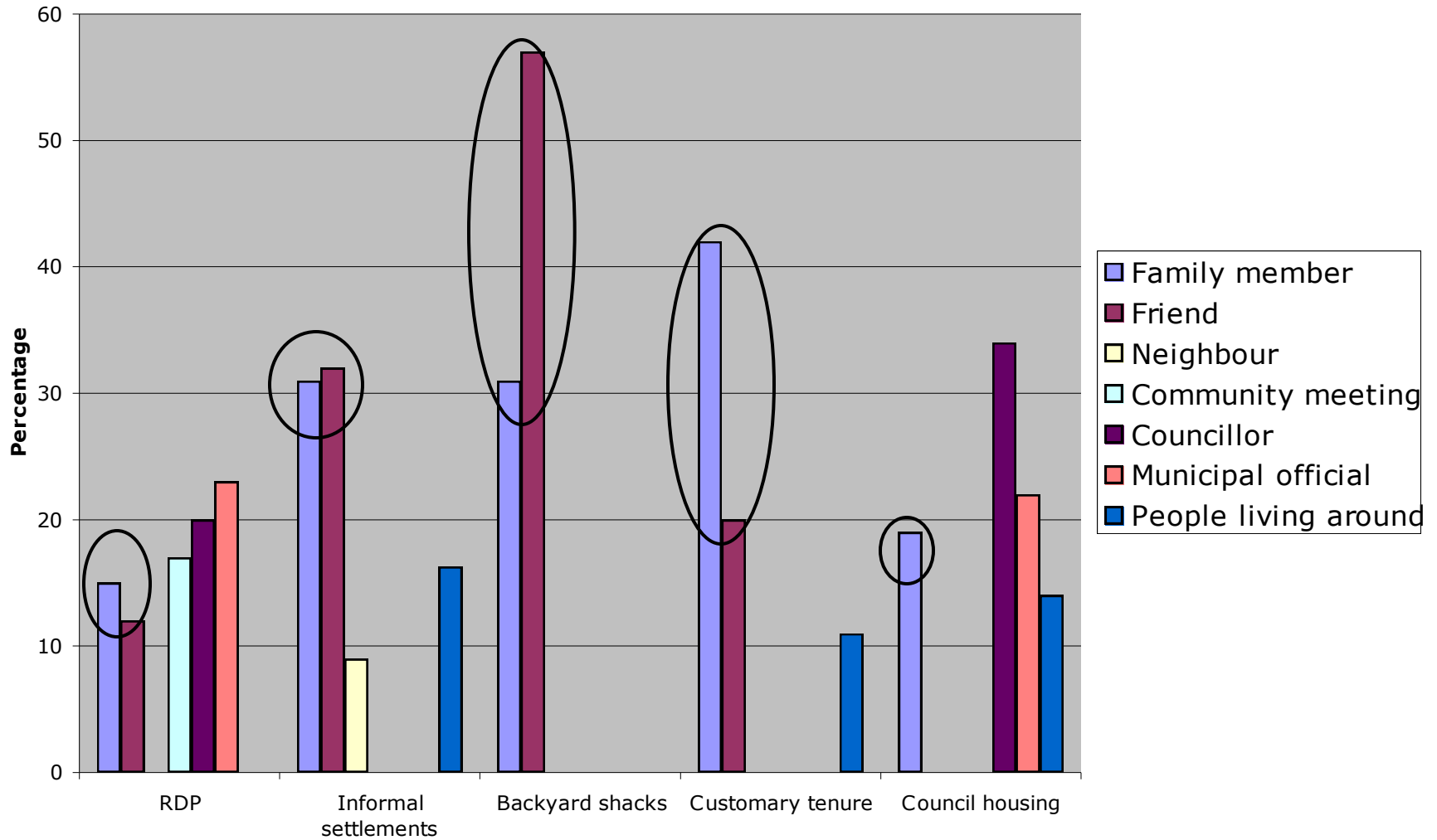
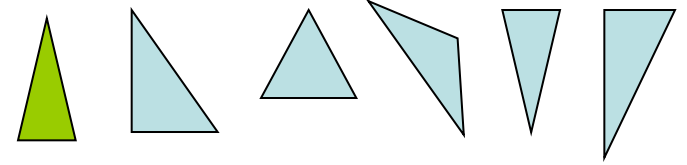


RDP Informal settlement

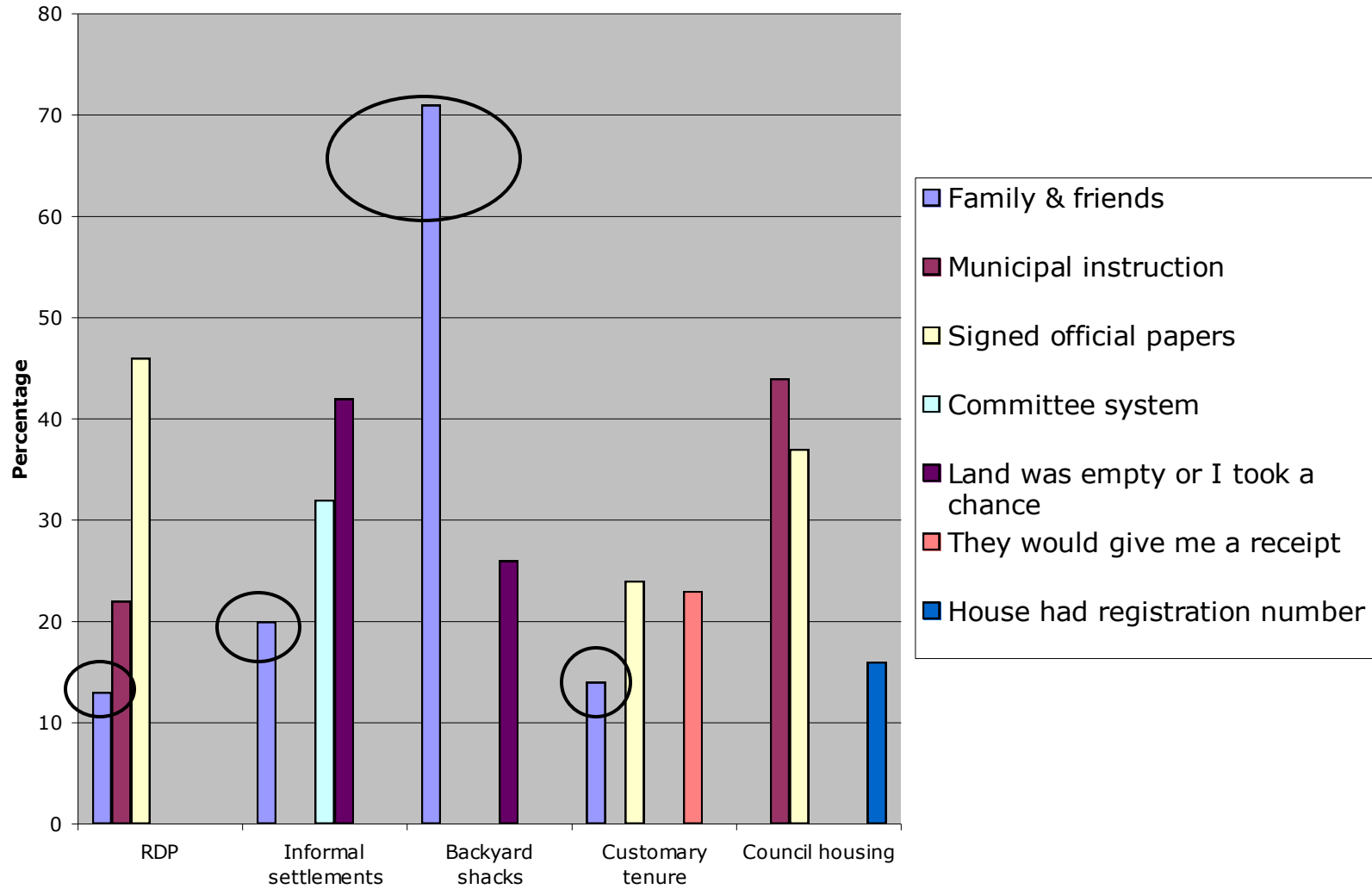
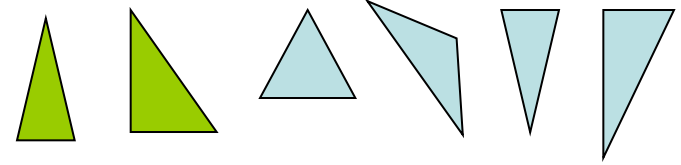


These settlements play a crucial role in absorbing livelihood shocks or triggers, i.e. part of survival strategies of the poor

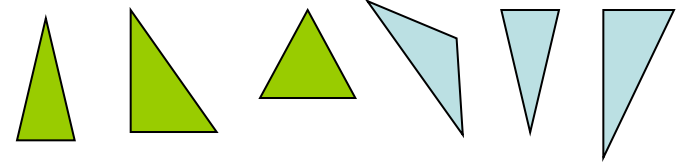
Finding others to transact with



Assurance of validity of transaction

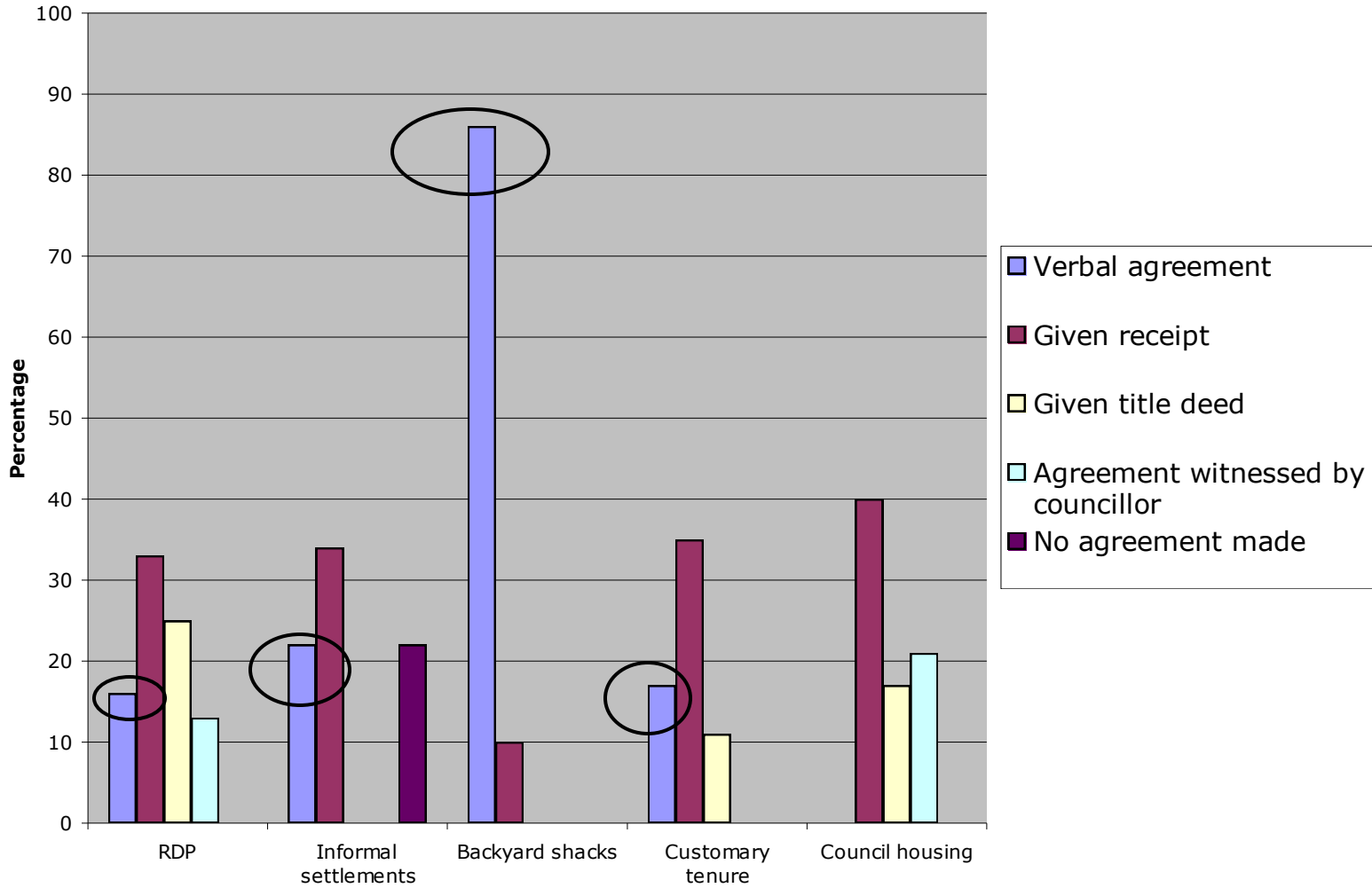
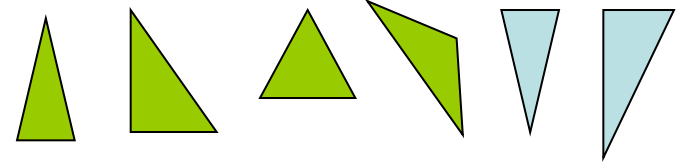


When is it fair to make a profit?

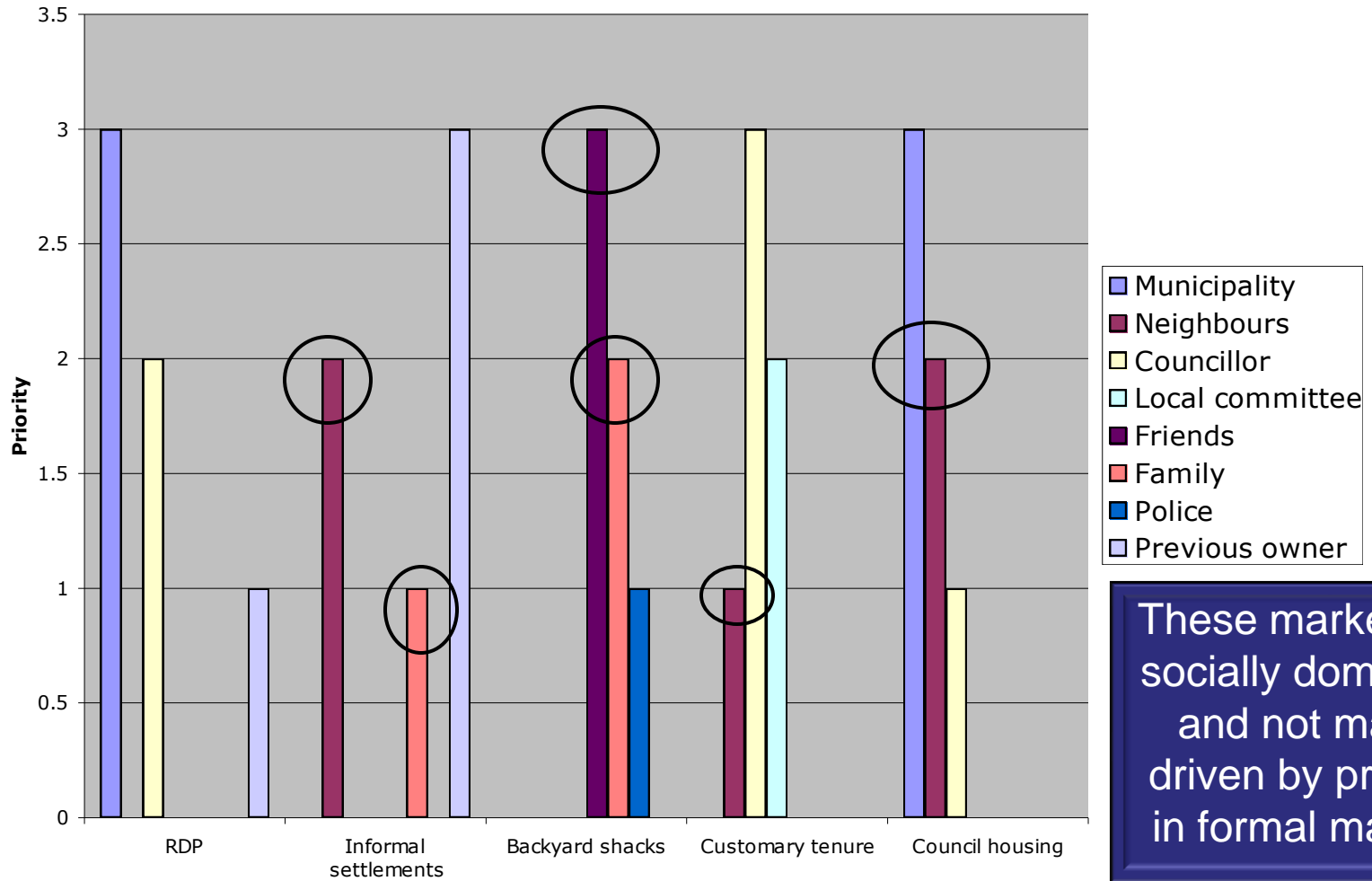
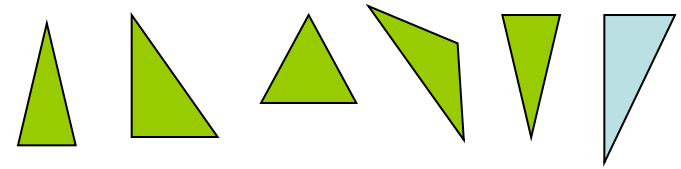


- RDP housing:
 - Fair: 61% when the dwelling has been extended or improved
 - Unfair: 32% when the land/ house was obtained for free
- Informal settlements:
 - Fair: 25% when shack has services, is a decent size or has been improved
 - Unfair: 30% when shack is poor quality or obtained for free

Agreement on contract (moving in)



Dispute resolution for claims

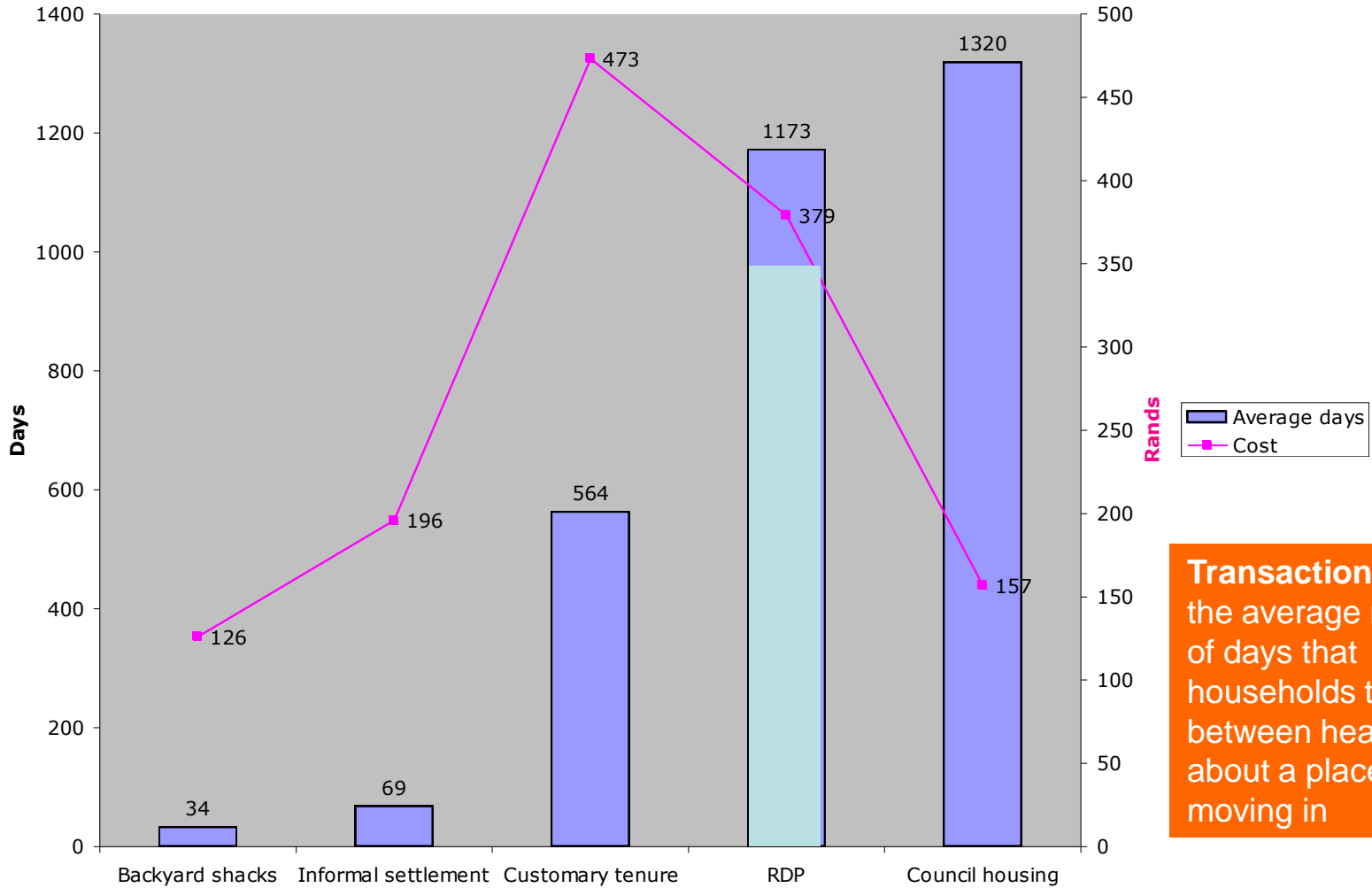
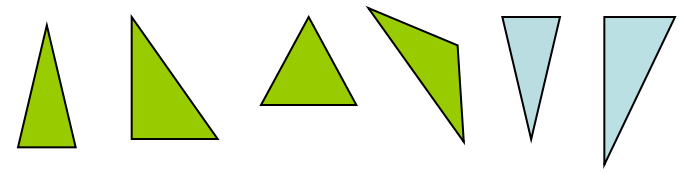


These markets are socially dominated and not mainly driven by price as in formal markets

TRANSACTION TIME AND COST

- Transaction:
 - the number of households coming in in the last five years and engaging in either buying, renting or looking after a place.
- Transaction time
 - The average number of days that households took between hearing about a place and actually have the rights to it
- Transaction cost
 - Average financial cost of transacting (transport, fees, people that had to be paid etc.) and strengthening rights (e.g. investment in improvements)

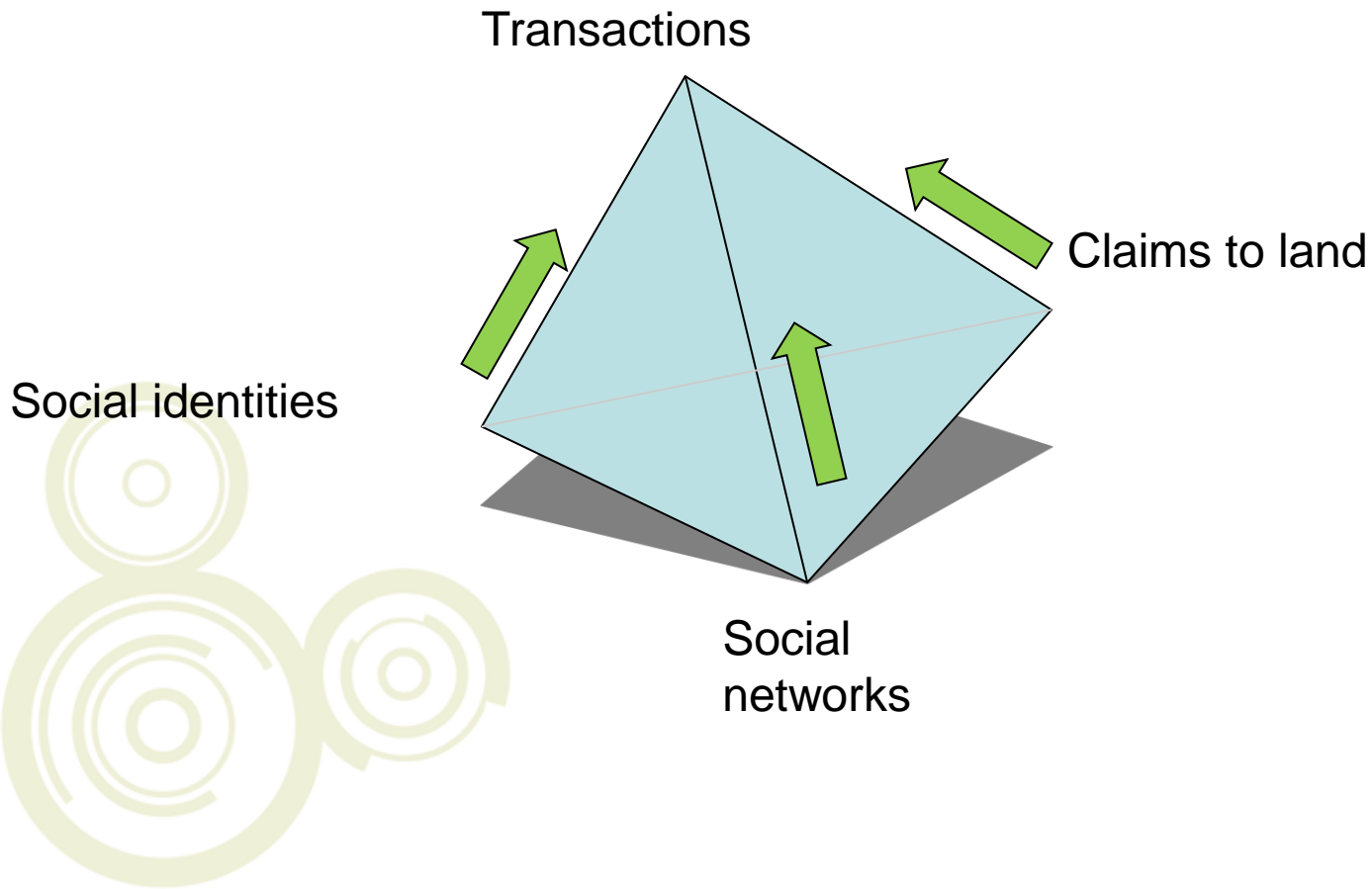
Transaction time & costs



Transaction time = the average number of days that households took between hearing about a place and moving in

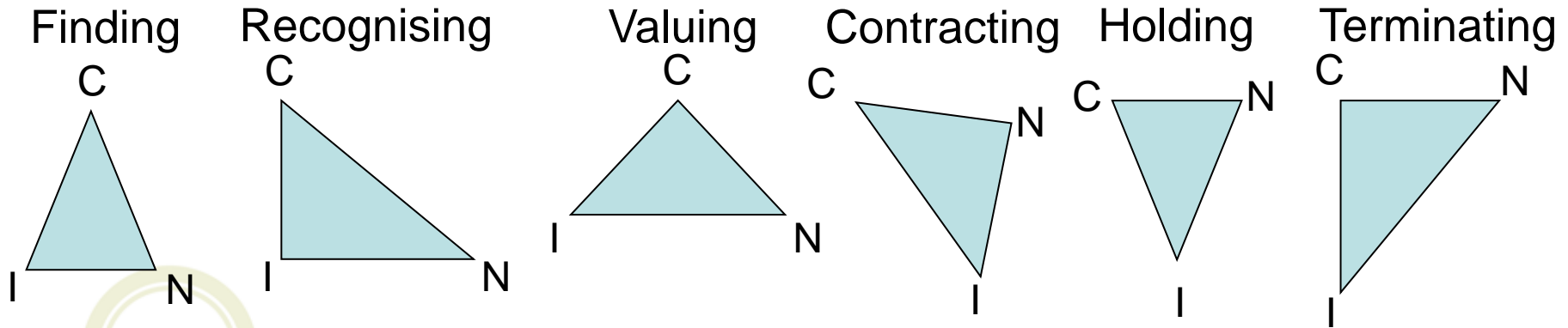
CONCEPTS

Arriving at a transaction



CONCEPTS

Configurations change within each step



I = Social identities

N = Social networks

C = Claims to land

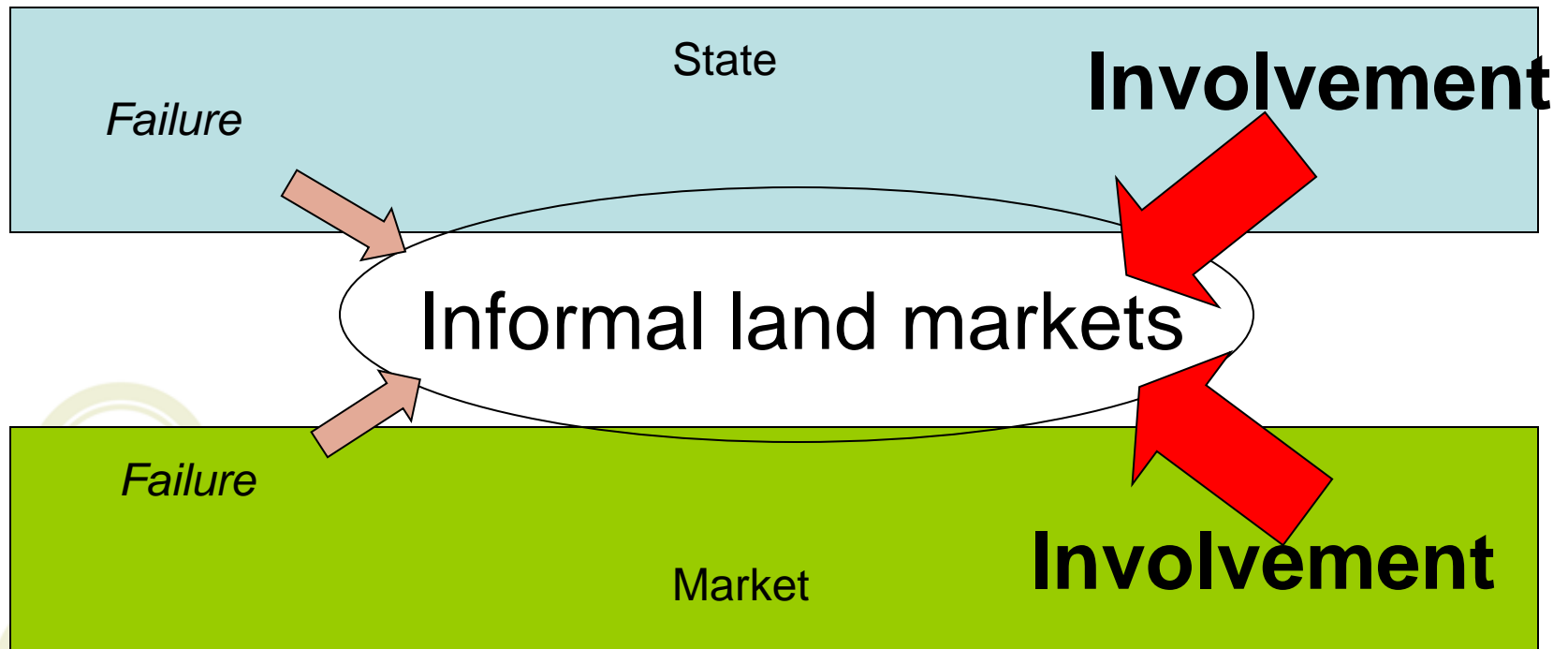
SOCIALLY DOMINATED MARKETS – RESEARCH FINDINGS

- In these markets, social relations dominate as opposed to the rules of supply and demand mediated by price
- Social networks are pivotal in gaining access
- Many households feel that it is inappropriate to make a profit from the sale of the house which they received for free from the State
- While on the average transaction cost is often far lower than the construction cost, some households do “transact on the basis of price rather than social values”. The former tends to be in cases where the household has made improvements
- The state has failed to recognise the existence of the socially dominated markets in their policies and strategies

SOCIALLY DOMINATED MARKETS – RESEARCH FINDINGS

- Transaction agreements may be verbal or a formal affidavit.
- There is a link between informal settlements and RDP housing with the former representing a reception area for accessing state housing projects.
- Informal settlements occupy an important place in the urban land market
- The State is present in socially dominated land markets in the following manner:
 - Urban policy and practices
 - Land selected for development
 - Registration of shacks leading to the perception of a right to future development

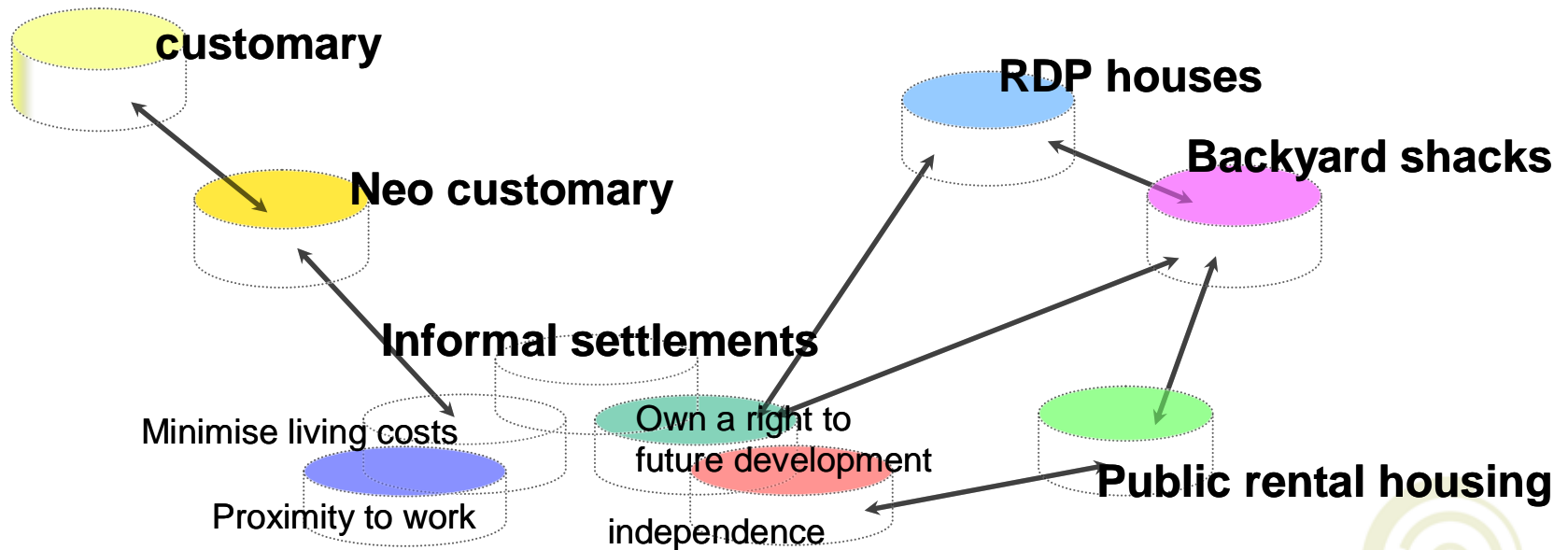
CONCEPTS



KEY OBSERVATIONS I

1. Land markets operate in poorer parts of the three metropolitan areas
2. Informal settlements play a critical role in survival strategies and in urban land access:
 - These markets work for poor people in the short term (quick, easy, cheap) but “lock people in” in the longer term
3. Social relations are dominant in these markets, although an economic rationale is present when people make decisions

Land markets operate & informal settlements play a critical role



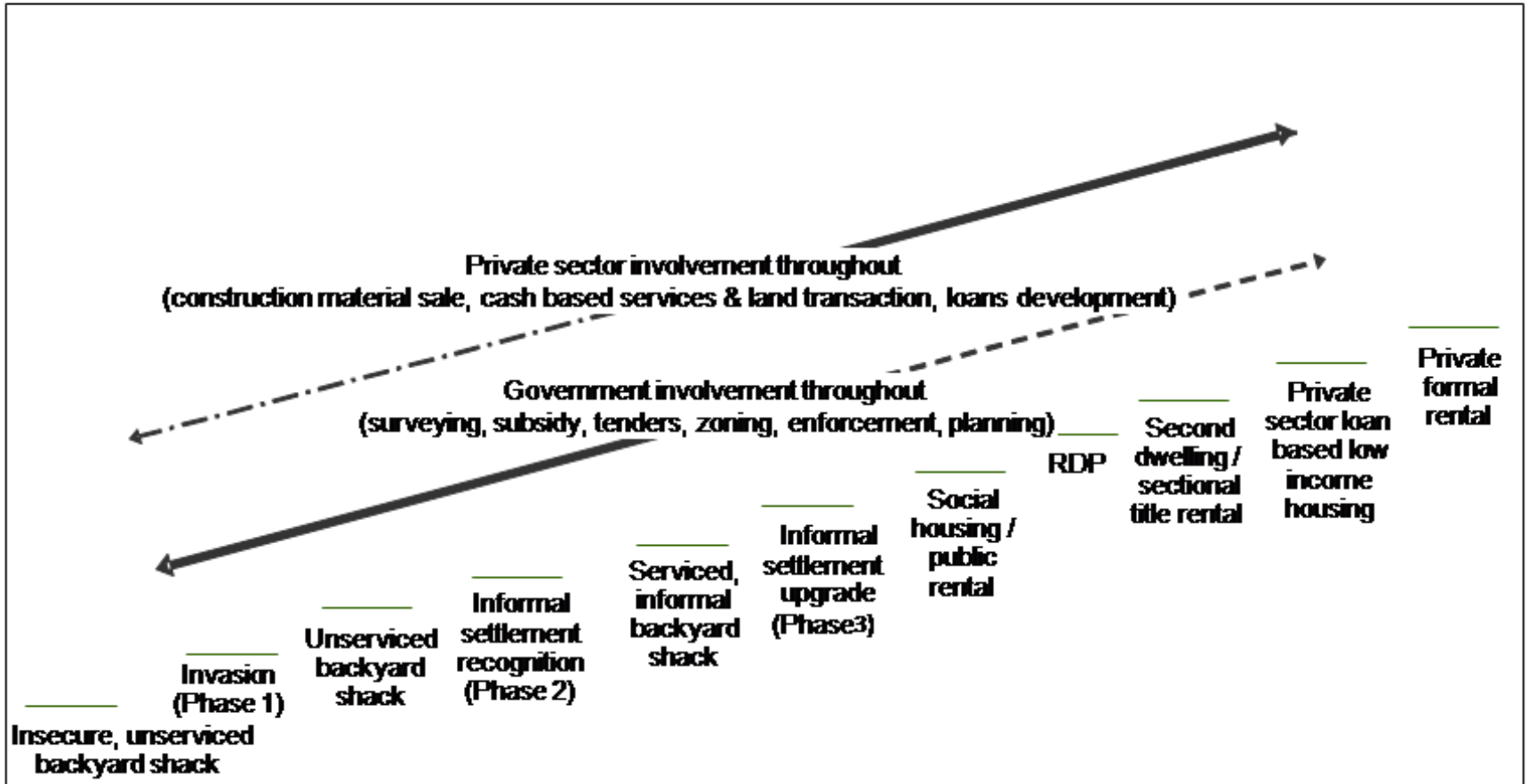
KEY OBSERVATIONS II

4. Financial logic is evident in the research sites, although these markets are socially dominated
5. The state is present in the socially dominated land markets
6. Little differentiation in perceived advantages of living in informal settlements, RDP housing projects and backyard shacks

high

Foothold in the city

low



Socially dominated market



Financially dominated market



COMMON ASSUMPTIONS QUESTIONED

- *The market is absent in poorer parts of our cities*
- *Price is the main issue in land markets*
- *The state is absent in so-called “informal” areas of our cities*
- *Informal settlement eradication is possible without alternative quick, easy, cheap access to land*

UNDERSTANDING MARKETS

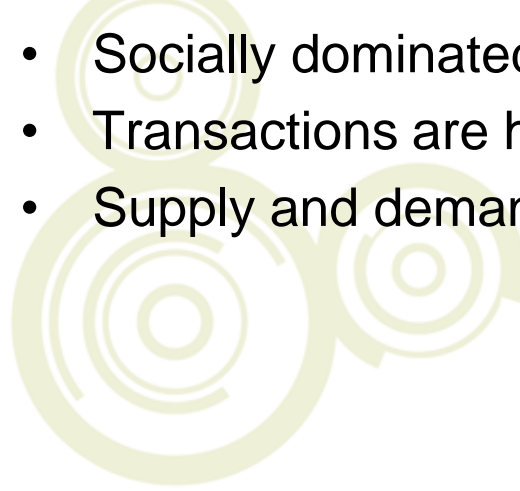
Financially dominated markets

- The “formal” or financially dominated markets is generally inaccessible to the poor due to a combination of factors such as:
 - high land values
 - land regulations which protect former white areas
 - high costs of accessing land linked to the need for specialist skills and legal costs
- The setting of price dominates the supply and demand of land

UNDERSTANDING MARKETS



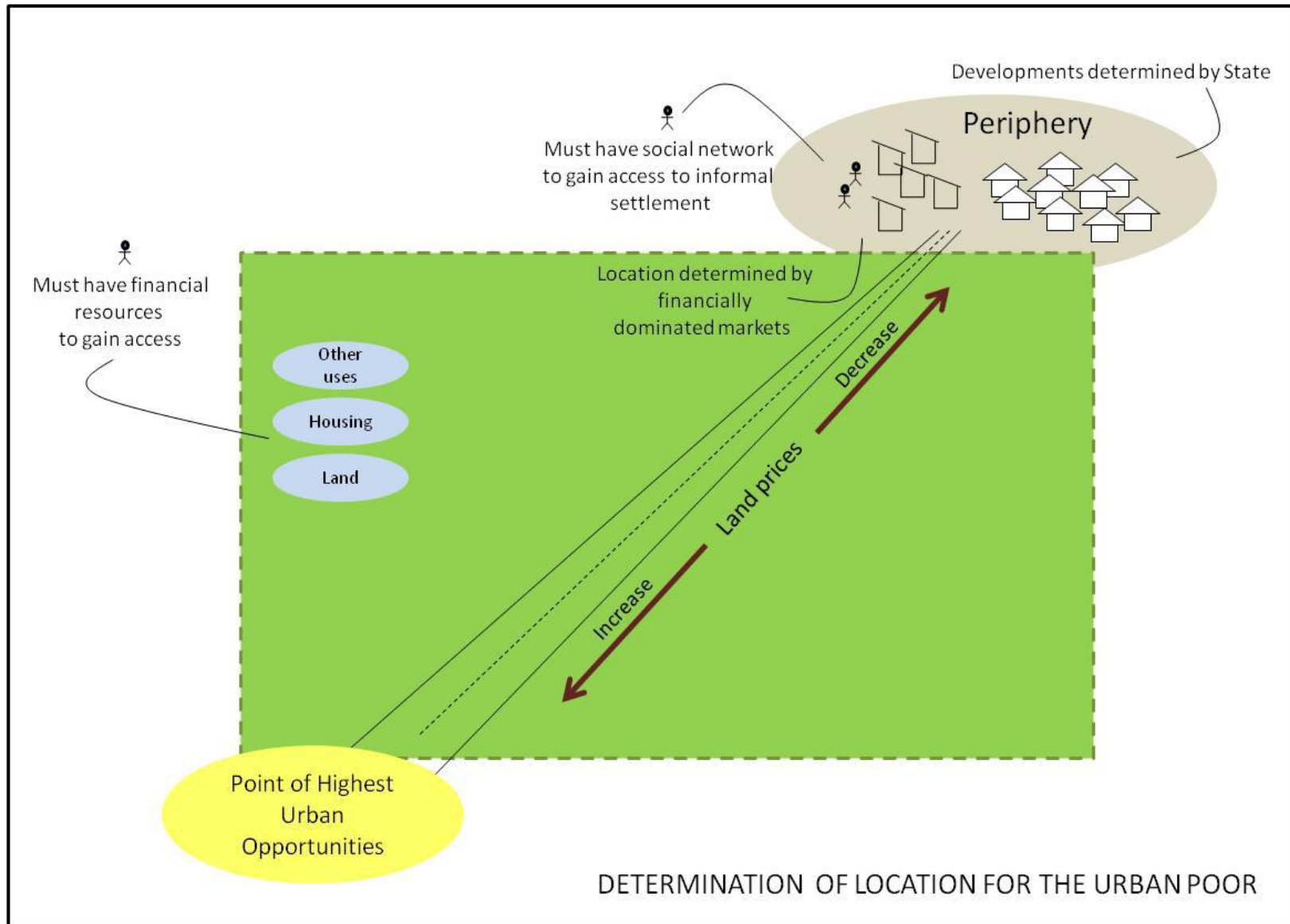
Socially Dominated Markets

- Land markets do operate outside traditional formal areas in
 - informal settlements
 - RDP projects
 - backyard shacks and
 - traditional authority areas
 - But social relations are more dominant than financial relations
 - Socially dominated markets organized and functional
 - Transactions are highly responsive to state action
 - Supply and demand of land is mediated more by social relations
- 

LOCATIONAL CHOICES

- Important to understand the dynamics of locational choice for the urban poor
- Choices are limited and determined by a number of factors:
 - Financially dominated markets in relation to the delivery of mass housing on the periphery
 - Financially dominated markets and the individuals' ability to pay
 - the ability to pay is directly proportional to the freedom to choose
 - Primary value for the poor is access to future development - driven the need to secure a foothold in the city
 - Extent of social networks

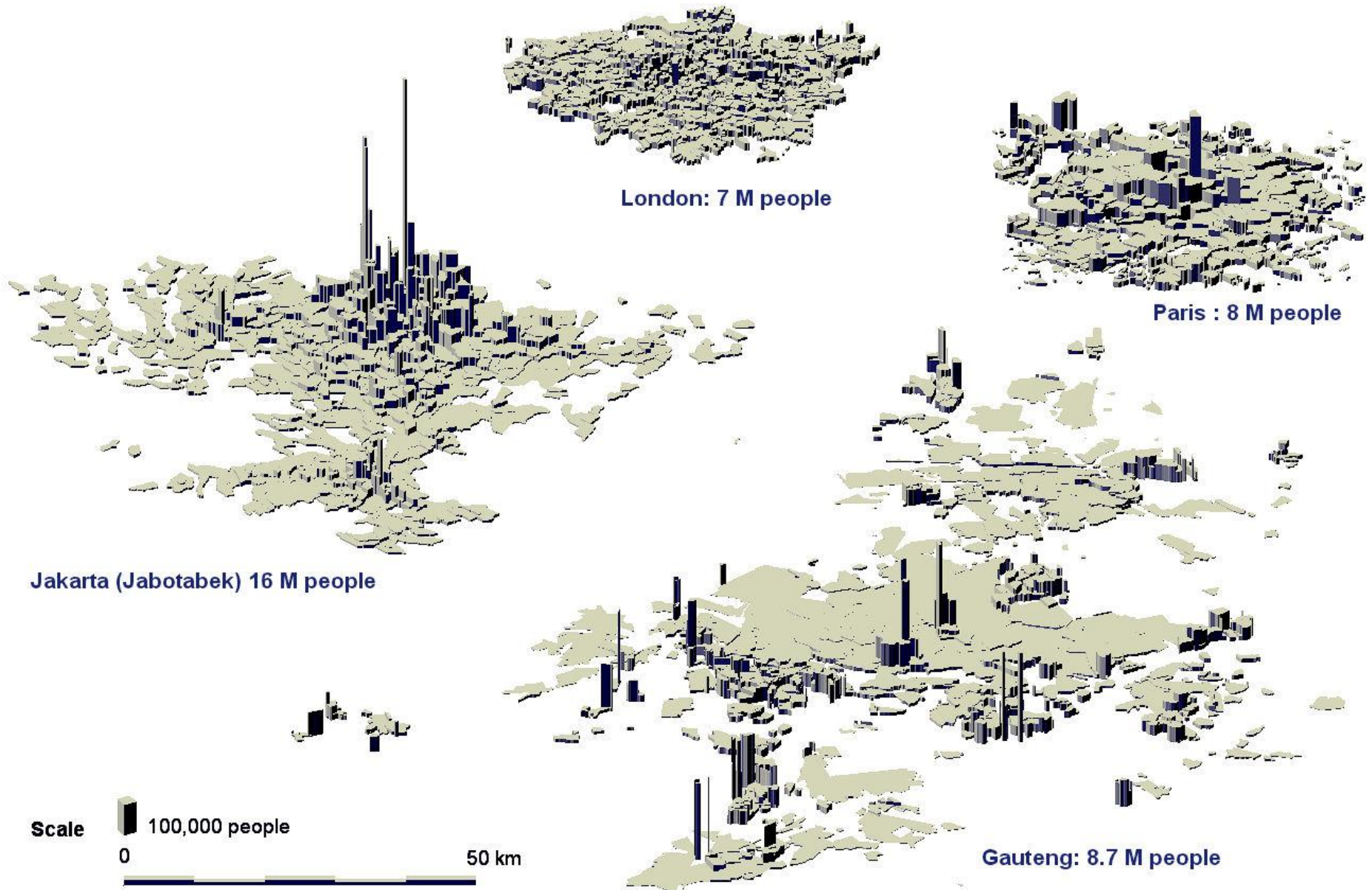
Locational choices



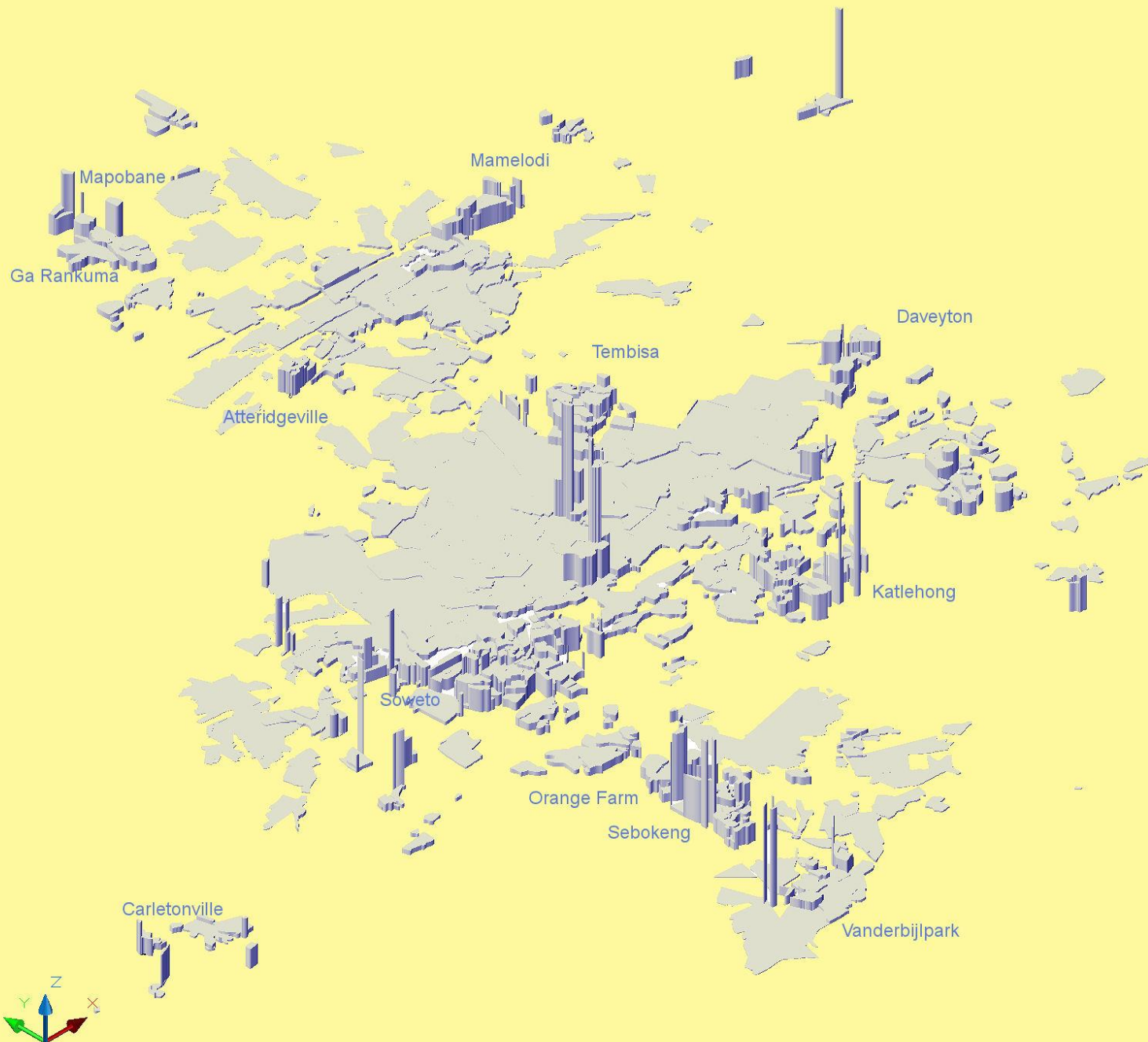
REQUIREMENTS AND INTERVENTIONS

- Decisions and actions taken by township managers will have a direct and indirect impact on the residential markets
- Township managers can influence at least the following:
 - The location of informal settlements
 - The level of legitimacy of the informal settlements, and securing tenure
 - Off site activities such as provision of public amenities
 - The link between the informal settlements and RDP housing development
 - Demolishing shack settlements thus affecting the supply of housing for the poor
- Improving access to urban infrastructure allowing for a greater land differentiation
- Need to acknowledge that both financially and socially dominated market operate in our urban areas

Spatial distribution of population in Gauteng (2001 census) compared to Jakarta, London and Paris



Spatial Distribution of Gauteng' Population seen from the South West



Source:
Alain Bertaud, 2008

REQUIREMENTS AND INTERVENTIONS

- Acknowledging the income generating and economic aspects of housing via:
 - The management of zoning rights
 - Improving access to markets
 - Appropriately targeted support programmes

SYNTHESIS

Synthesis - What then should we be try to achieve in a well functioning township residential property market ?

1. Sellers are able to secure the real value of their property assets thereby catering for job market mobility
2. Owners are able to invest in properties and secure the capital gains there from
3. Township residential property markets provide entry and secure tenure to the full span of income groups
4. Residential properties can be optimally used to generate incomes and support livelihoods
5. Residential tenure can be used to access credit (for improvements and income enhancement purposes)

SYNTHESIS

What are the interventions that the public sector can and should be making to make township residential markets perform optimally on the social, financial and economic fronts?



