



# Urban LandMark

making urban land markets work for the poor

## Structure of the argument:

1. Class segregation is to be expected, and SA's experience is not unique.
2. Therefore we need to use the property market's strengths in the way it is currently structured to benefit the poor.
3. This is largely an issue of public finance.

### **But:**

- 1. Challenge apparent acceptance of class segregation**
- 2. Structure of the property market is also an issue**
- 3. Consequently not only mono-directional approach suggested in focus on public finance**



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## INTERESTING IDEAS:

- **Filtering**

- “...a serious question, also, is whether all these lower income units should be new ...”

- “A real question from the point of view of low income housing however, is **how this “golden egg” is currently being used to the poor’s benefit**, and how it might be better used in future. And this, of course, is largely an issue of local public finance...”

- “...it seems more logical to use public funds to leverage influence on the operation of land and urban development markets, and (where this is not already done) to use progressive property taxes to enhance the scale of such funds”

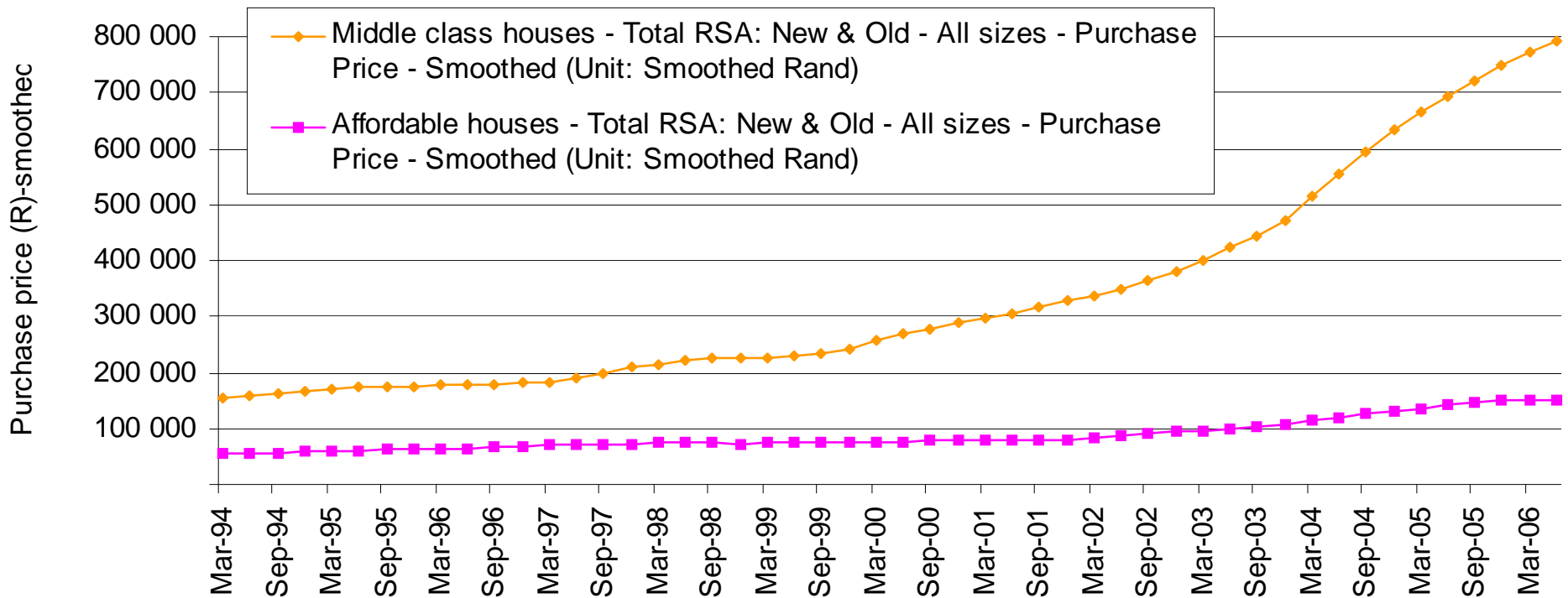
- But is it only an issue of local public finance?



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## Housing prices escalating rapidly, creating gaps

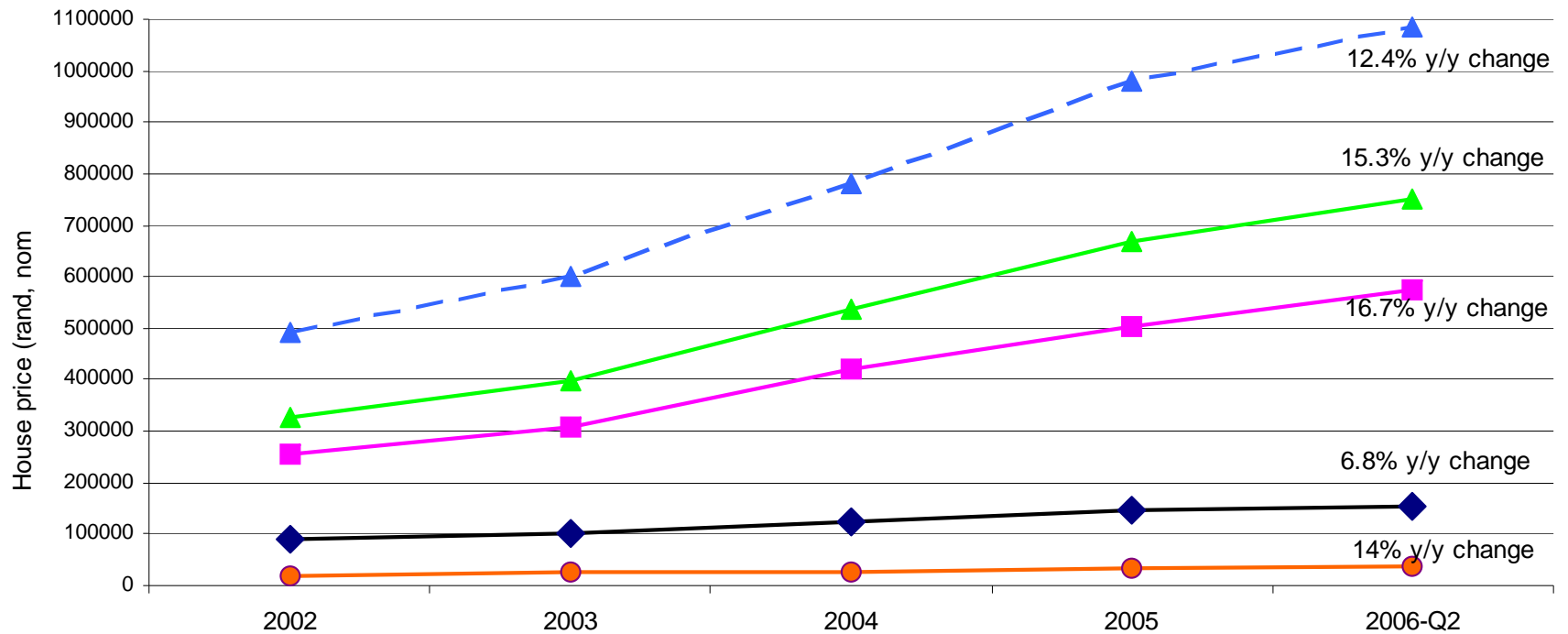




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## Real gaps in the housing ladder



◆ Affordable (40-79m<sup>2</sup> ?R226 000)

▲ Medium (141-220m<sup>2</sup> ?R2,6m)

● Subsidised housing: based on subsidy amount, not trade

■ Small (80-140m<sup>2</sup> ?R2,6m)

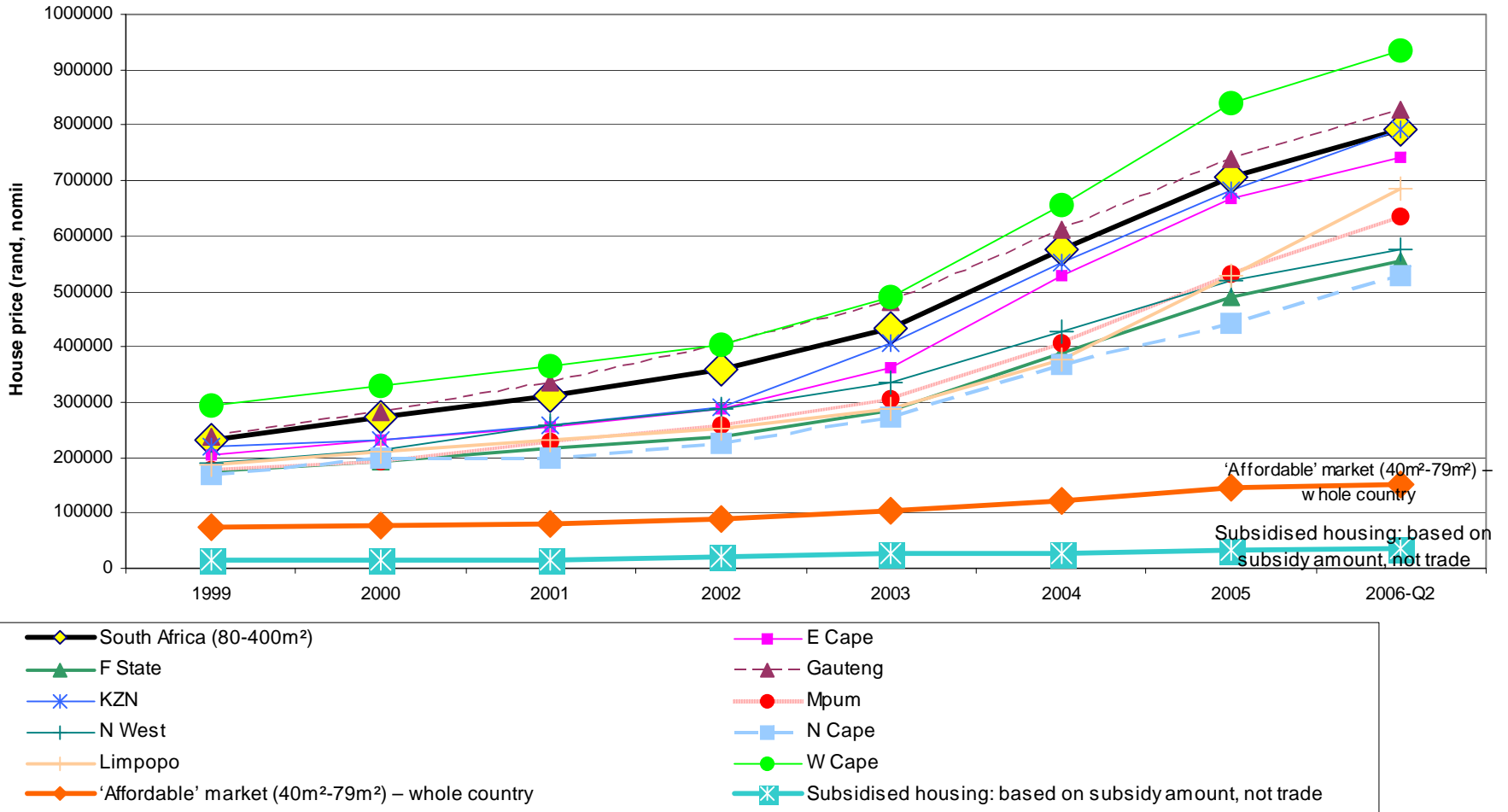
▲ Large (221-400m<sup>2</sup> ?R2,6m)



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## Gaps are spatially defined by province

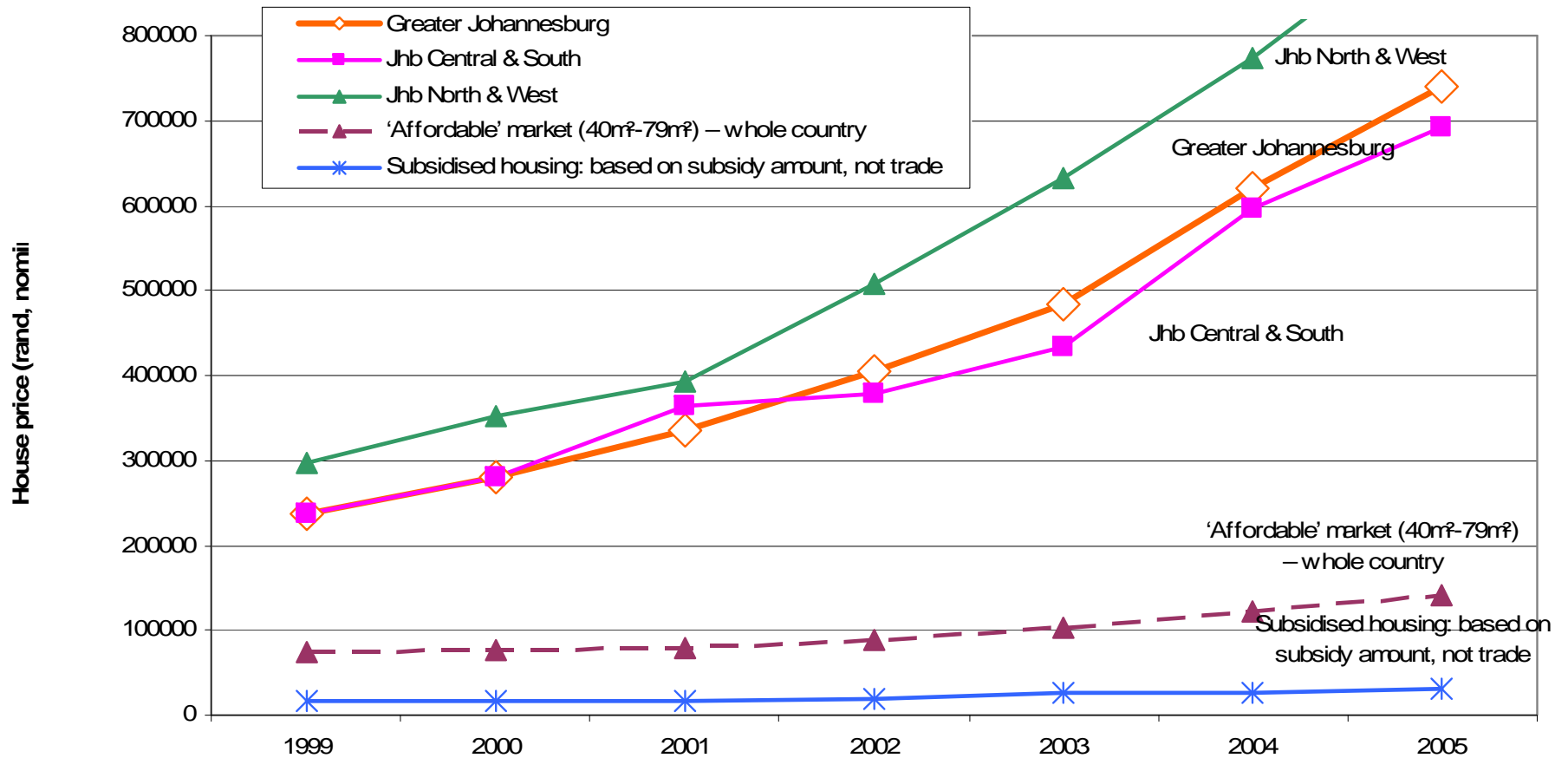




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## Gaps are also spatially defined within cities (Example: Johannesburg)

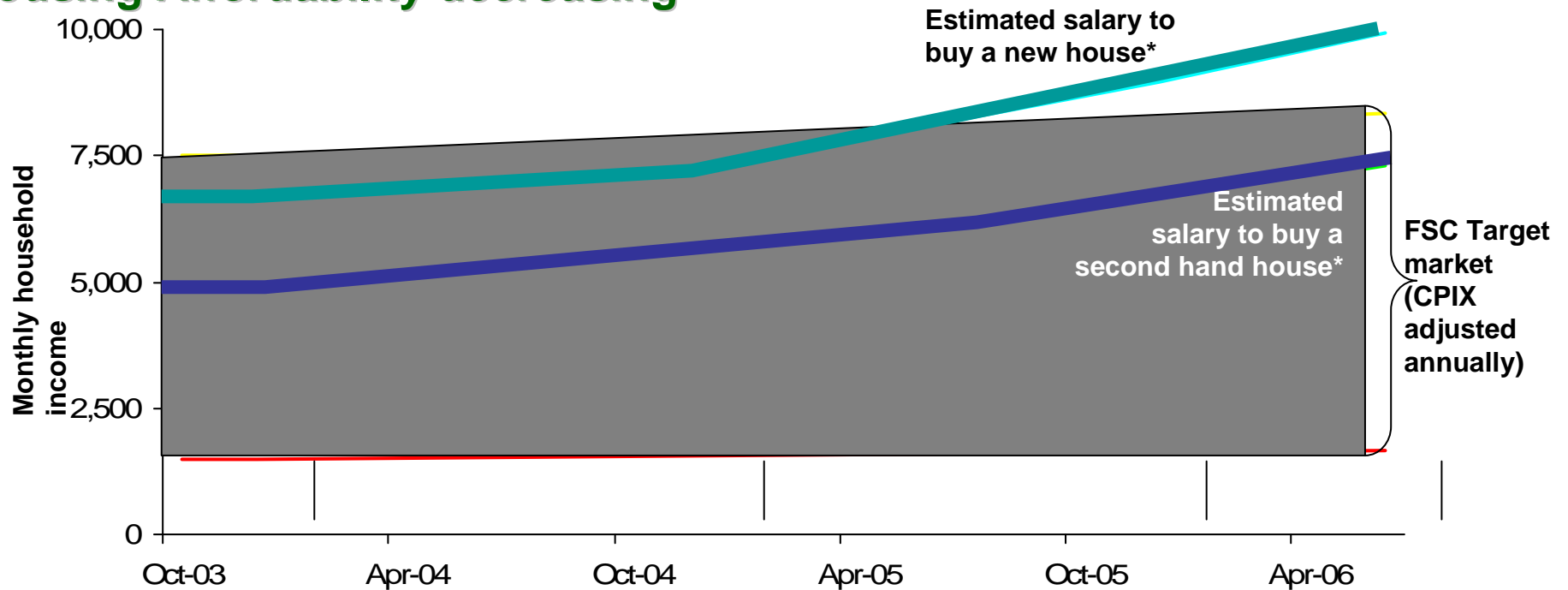




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## Housing Affordability decreasing



Contributors	Dec 2003	Dec 2004	Dec 2005	June 2006
Stand	46 000	57 000	80 000	93 000
Building cost (top structure)	86 500	93 100	99 000	102 600
2nd hand affordable house	102 500	122 600	140 900	151 500
Prime interest rate	11.5%	11.0%	10.5%	11%

\*Based on calculated average house prices, 20-year loan at prime plus 2; 25% instalment to income

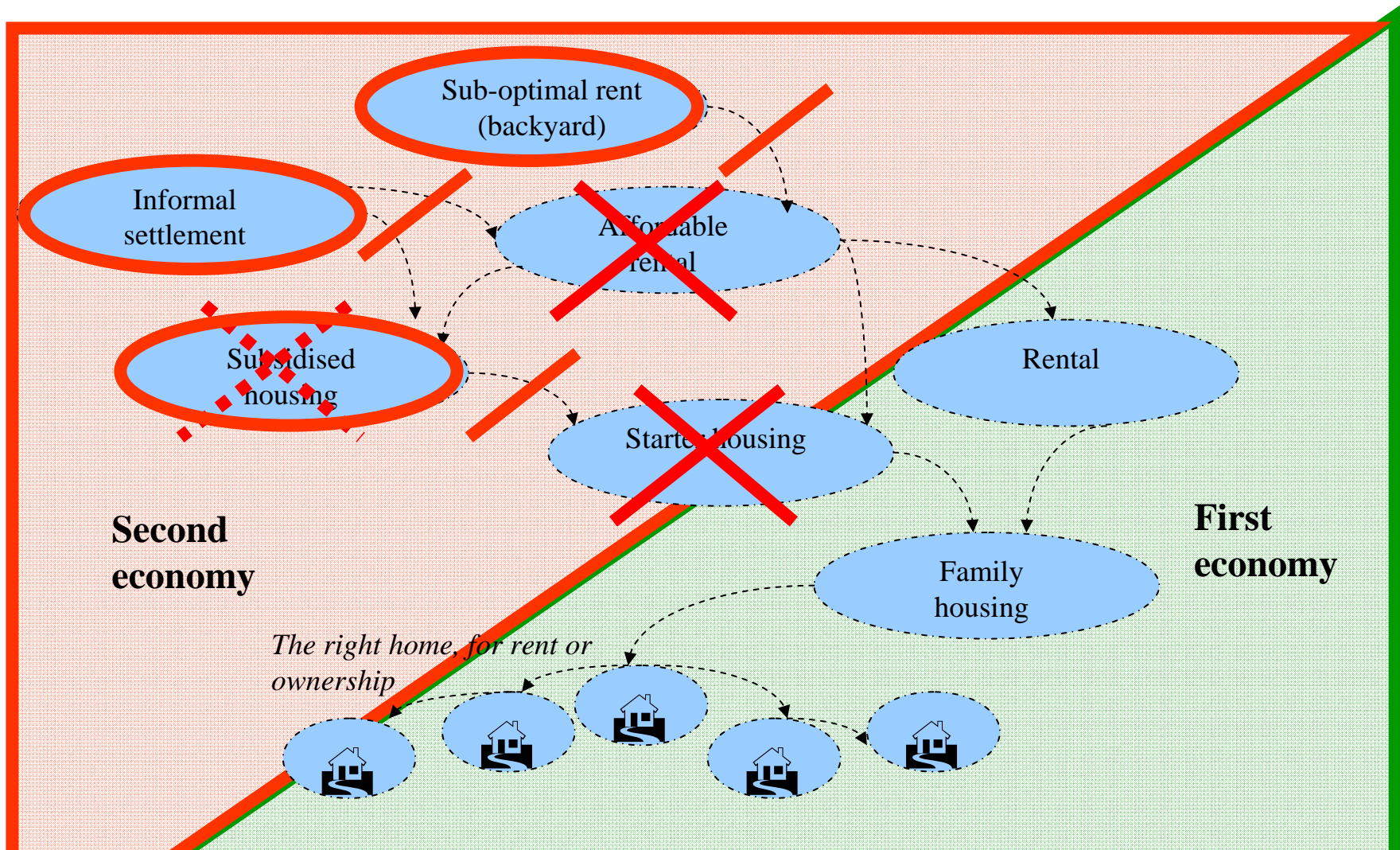
Source: ABSA affordable house price index; The Rode report 2004 & 2006; The Building Cost Report 2006



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## Broken pools and flows



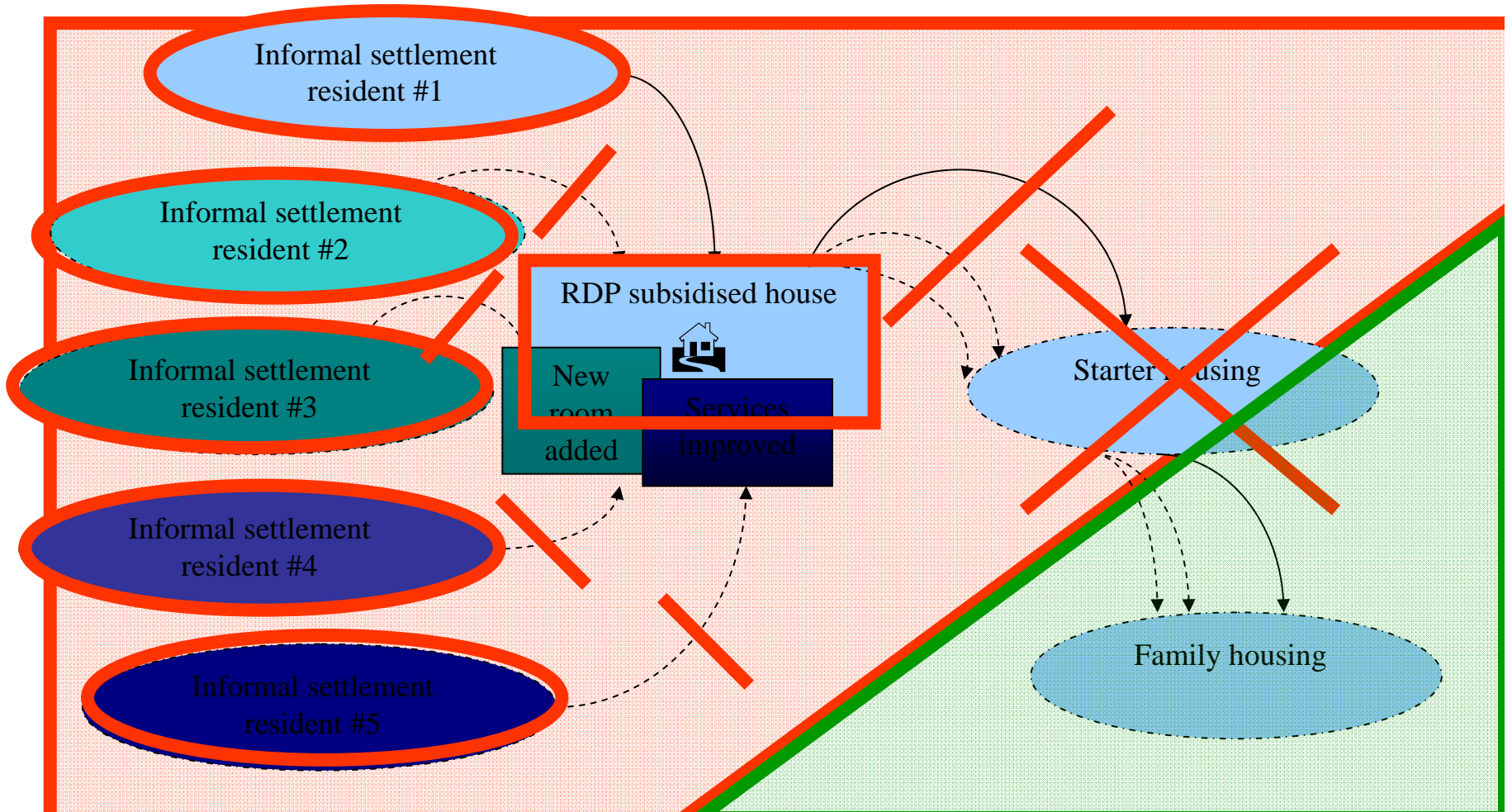




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## Lost opportunity for filtering



## QUESTIONS:

- What is the function of TIME in a land and housing markets process? How can policy draw on this, when local and global factors impact together with the household's own behaviour?
- Relationship between residential, commercial, industrial and other land uses and the impact of this on access to the land market by the poor.
  - Do poor people seek access to urban land only in respect of their housing?
  - Does the productive value of commercial land squeeze out the poor seeking residential? (and in policy terms, should the 20% inclusionary housing clause apply therefore to all land uses?)
  - Would be useful to see a table on the relative performance (by various definitions) of different land uses
- How can local governments plan for the residential filtering sequence that is described?
- How is policy / government currently “operating in ‘open defiance’ of market forces”?
  - How is the state working with and working against the market. What are the punitive measures that you are referring to and how will these impact adversely on the poor?
- Isn't a MMW4P approach about changing the structure of the land market so that it ‘works for the poor’ – this would seem to me to be about much more than subsidy – value capture ideas ... our unfettered land market discriminates in favour of capital without the long term considerations of the financial, ecological, (and socio-political) sustainability of our cities.