Urban LandMark

Are urban land markets working well for the poor?

Exploring a practical method of assessment

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MAKING URBAN LAND MARKETS WORK FOR THE POOR

Applying the MMW4P approach to urban land markets

- The Making Markets Work for the Poor (MMW4P) approach is becoming increasingly important. It goes beyond the conventional approach of promoting market efficiency and focuses on the impact of markets on poor households.
- Conventional quantitative assessments of land and housing markets do not assess whether urban land markets are working for the poor, as reliable statistics for informal land and housing processes (which is how most poor households in cities in developing countries access land and shelter) are usually not available.
- A practical method of assessing whether urban land markets are working well for the poor (for example, for residents of informal settlements and for backyard tenants) is required.
- This presentation tests a proposed methodology, based on a qualitative survey (backed up by a quantitative survey) undertaken by Urban LandMark in nine representative low-income settlements in South Africa during 2006/2007. From the findings, we assess the extent to which urban land markets are working well for poor households in South African cities.

Methodology for assessing whether urban land markets are working well for the poor

1. Define what an urban land market that works well for the poor is
2. Identify important sub-markets (i.e. land/housing options) for poor urban households
3. Identify key factors for determining the adequacy of land/housing options (based on the key issues considered by households when making decisions about land/housing options)
4. Identify major inadequacies in the land/housing options available for poor urban households
5. Identify priority interventions to help make urban land markets work better for the poor

What are urban land markets that work well for the poor?

- Land markets can be defined in various ways, but it is particularly useful to conceptualise a land market as a "compilation of land delivery systems". These land delivery systems may be either public or private; commercial or non-commercial; legal, illegal or semi-legal; etc.
- Urban land and housing markets are closely intertwined. Although in theory there are distinct markets for land and for housing, in practice, the two markets can seldom be viewed in isolation.
- An urban land market that works for the poor can (from an end-user perspective) be defined as one in which **poor households are able to relatively easily access a variety of reasonably adequate and reasonably affordable land/housing options**. What is regarded as reasonable depends upon what households themselves see as being adequate or inadequate, and will vary from context to context.
- Specific sub-markets could have additional criteria for being well-performing, for example, adequate protection against arbitrary eviction would be particularly important for the rental sub-market.

Important land/housing options in the poorer parts of South African cities

1. **Own shack in an informal settlement:** The shack can either be self-erected or purchased. During the establishment of the settlement, permission to occupy the site may not need to be obtained or it may only need to be obtained from neighbours; in the later stages of the settlement, permission to occupy a site or purchase an existing shack usually needs to be obtained from the local community-based organisation.
2. **Rented shack in an informal settlement:** The shack is allocated by a landlord (who lives elsewhere) to a tenant, mainly based on the willingness and ability of the tenant to pay rent. In some cases the tenant can come to be recognised as the legitimate owner of the shack by the local community-based organisation.
3. **Rented room within a shack in an informal settlement:** A room within a multi-room shack is allocated by a landlord (who usually lives in part of the structure) to a tenant, mainly based on the willingness and ability of the tenant to pay rent.
4. **Rental of space for own backyard shack in established township:** Space in the backyard of a formal house, and access to services, is allocated by a landlord to a tenant (who erects their own shack), mainly based on the willingness and ability of the tenant to pay rent.

Important land/housing options in the poorer parts of South African cities (cont.)

5. **Rented backyard shack in established township:** An existing shack in the backyard of a formal house, and access to services, is allocated by a landlord to a tenant, mainly based on the willingness and ability of the tenant to pay rent.
6. **Rented room in established township:** A formal room (in or attached to, or in the backyard of, a formal house) is allocated by a landlord to a tenant, mainly based on the willingness and ability of the tenant to pay rent.
7. **RDP house in upgrading project:** A RDP house is allocated by the municipality to an individual or couple that is eligible for a housing subsidy and who previously lived in an informal settlement in the same area (there typically needs to be some form of verification by the local community to confirm this). The survey focused only on formally-acquired RDP houses, but there are also reputed to be many households who have informally purchased RDP houses.
8. **RDP house in greenfield project:** A RDP house is allocated by the municipality to an individual or couple that is eligible for a housing subsidy (as above, the survey focused only on formally-acquired houses).

Key factors for determining the adequacy of land/housing options

Land/ housing option	Adequacy of location	Adequacy of shelter	Adequacy of space	Adequacy of services	Affordability (upfront costs)
Own shack in informal settlement	MEDIUM	MEDIUM	LOW/ MEDIUM/ HIGH	LOW	MEDIUM/ HIGH
Rented shack in informal settlement	MEDIUM	LOW	LOW	LOW	HIGH
Rented room in informal settlement	MEDIUM	LOW	LOW	LOW	HIGH
Own backyard shack in township	HIGH	MEDIUM	LOW	MEDIUM	MEDIUM/ HIGH
Rented backyard shack in township	HIGH	LOW	LOW	MEDIUM	HIGH
Rented room in township	HIGH	HIGH	LOW	MEDIUM	HIGH
RDP house in upgrading project	MEDIUM	HIGH	MEDIUM	HIGH	HIGH
RDP house in greenfields project	LOW	HIGH	MEDIUM	HIGH	HIGH

Key factors for determining the adequacy of land/housing options (cont.)

Land/ housing option	Affordability (ongoing costs)	Physical security	Security of tenure	Accessibility/ availability	Future prospects for RDP housing
Own shack in informal settlement	HIGH	LOW	MEDIUM	HIGH	HIGH
Rented shack in informal settlement	MEDIUM	LOW	LOW/ MEDIUM	HIGH	MEDIUM
Rented room in informal settlement	MEDIUM	MEDIUM	LOW	HIGH	LOW
Own backyard shack in township	MEDIUM	HIGH	LOW	HIGH	LOW
Rented backyard shack in township	MEDIUM	HIGH	LOW	HIGH	LOW
Rented room in township	LOW	HIGH	LOW	HIGH	LOW
RDP house in upgrading project	LOW	MEDIUM	HIGH	LOW	NOT APPLICABLE
RDP house in greenfields project	LOW	MEDIUM	HIGH	LOW/ MEDIUM	NOT APPLICABLE

Conclusions

- There is a functioning land market in the poorer parts of South African cities, consisting of a complex mix of financially-driven processes, processes mediated by local community organisations and processes mediated by the state.
- There is a range of land/housing options available to poor households. Different options may be more or less suitable at different stages in the history of a household/ individual, and there is frequent movement between options (but not in any clear hierarchical way).
- All the major land/housing options currently available to poor households have serious inadequacies. Although poor households are, for example, able to access relatively good locations and affordable accommodation in informal settlements or adequate shelter/ services and secure tenure in RDP housing settlements, they are seldom able to adequately satisfy all their minimum requirements simultaneously.
- As poor households are unable to access a range of reasonably adequate and reasonably affordable land/housing options, it can therefore be concluded that urban land markets are not working well for the poor in South African cities.
- From identifying the major weaknesses in the current land/housing options available to poor urban households, it is possible to prioritise key interventions that will help make urban land markets work better for the poor.

Major weaknesses in the current land/ housing options for poor households

- Poor location of greenfield RDP housing projects
- Low standard of shelter (with accompanying lack of physical security) in informal settlements
- Inadequate size of rented rooms and rented shacks
- Low standards of services in informal settlements
- Low affordability (of ongoing costs) of RDP houses
- Low security of tenure in rental accommodation and informally-purchased RDP housing
- Low likelihood of people in rental accommodation getting RDP housing
- Too few "formal" land/housing options
- Low resale value of (ownership) properties

Priority interventions for making urban land markets in South Africa work better for the poor

- Reforming the formal/legal/State-recognised land system to be more relevant and useful for poor households
- Providing a wider range of subsidised housing options for all categories of need
- Incrementally upgrading informal settlements where appropriate
- Stimulating the provision of good quality backyard rental accommodation

Thank you!