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The rationale for Urban LandMark's Market Theme area

In order to intervene in a useful way in making urban land markets work for the poor, we needed to understand the dynamics of the urban land economy, and the underlying workings of the financial logic that govern it. For Urban LandMark this was important in order to understand how to mitigate against the negative consequences of the market for the poor, and harness its benefits/strengths in ways that could create more inclusive urban development. Our purpose was also specifically to look at how urban land development could become more inclusive by improving the poor's access to rights to well located tradeable productive and reproductive land.

To do this, Urban LandMark commissioned two reports in its market theme area which look at the market from two vantage points: from above and below. The Genesis report on 'The dynamics of the formal urban land market in South Africa', provides a comprehensive analysis of the formal market from above. It gives a detailed analysis of the macro dynamics of the urban land market, providing a theoretical model of how the market works; the legislative environment within which it does so; and how the different actors interact and have shaped the South African urban land market over the last fourteen years.

The report entitled 'Moving beyond policy frameworks, the voices of municipalities and developers in South Africa's urban land market', sought to look at the urban land market from 'below', gaining an in-depth understanding of the relationships and voices of important urban land players: municipalities and developers. Using case study methods and in-depth interviews this report provides detailed contextual information of how developers and municipalities make decisions, negotiate, and develop the terms for urban development. Both these approaches are complementary, where one describes and analyses the macro environment and forces that shape urban development, the other analyses the micro environment - the actual practice and context within which urban development takes place.

Urban Spatial reality

Let us see how spatial patterns of urban land have been manifest in the last ten years in South Africa. Using deeds data on the median purchase price of property in Johannesburg over ten years between 1993-2003 purchase price analysis shows that the spatial concentration of wealth remains in the north, and in fact the blue areas with least value seem even more stark

in 2003 particularly in the South West part of Johannesburg. Genesis' work looked at all the major cities and the patterns were similar. There are caveats to the use of this data, but it is useful as a starting point to look at the spatial concentration of wealth and land performance over time and the similarities and/or differences with apartheid spatial patterns.

The dual debates on urban land development

To some extent I may be mapping a crude distinction here between two broad debates, but it is a useful framing device

On the one hand we have a development discourse, which by and large argues that there are significant areas where markets have failed and where government intervention is required to redistribute basic goods such as housing, water, sanitation and other social services. 'This is the sphere of poverty where government is a central player in mitigating its social consequences. In this paradigm, the market synonymous with 'bad' and government 'good'.

On the other hand we have another discourse where the market is seen to be working well. Its self-regulating logic ensures that urban land use and values are optimally located to the 'best and highest use'. Government intervention in this arena is perceived as distorting and resulting in the sub-optimal allocation of land use and values. In this paradigm, government is synonymous with 'bad' and market with 'good'.

Limitations of these paradigms

- There is need to recognise the limits of supply side government interventions which while essential for areas where markets really do not work, cannot on their own resolve issues of systemic poverty. They can offer a social net but cannot, in and of themselves, sustainably address structural poverty and inequality. In addition, it is important to recognise that government interventions have ripple effects and unintended consequences on the market which can undermine spaces where the market works well.
- The market too has its limitations. Firstly, it is essential that we acknowledge that the concept of the 'free market' is a myth. It does not exist empirically. There are market imperfections and failures - the playing fields, especially in a country like South Africa, are uneven; there is asymmetrical access to capital and information which implies a structural inequality with regards to access to land, capital, information and so on.

Principles

Given the limits of government and the market, the challenge for Urban LandMark is to ask whether there are ways for government to intervene intelligently in the urban land market in ways which encourage greater transformation of the sector, without necessarily obstructing/impeding what the market does well. This would involve working around developing policies which have as their foundation the following principles.

- *Effectiveness*: moving beyond market efficiency to harness the power of the market to provide goods and services to the poor on a sustainable basis
- *Equitable* – mitigating the asymmetries in the market by provide reasonable access and options to all income groups
- *Sustainability* – being sensitive to the environmental footprint of urban development
- *Accessibility* – lowering barriers to entry for marginalised populations

What kinds of interventions?

Here the key question for Urban LandMark would be: are there ways of intervening in the market without hampering what it does well?

- The Genesis report provides some concrete policy recommendations that incentivise the market to provide for groups, particularly the working poor for example, mortgage tax relief
- Create a greater awareness of the powerful tools that government has at hand to leverage the market for broader economic transformation such as the Urban Development Zones, Urban Renewal Grants and so on. The questions around these interventions would be how we can use these to lever benefits for a larger population.
- Lobbying government to encourage broad based participation of black communities in the Property Charter.
- Develop and expand tradable rights for productive and reproductive land uses by the poor.