



Urban LandMark



Informal urban land markets and the poor

P&DM Housing Course

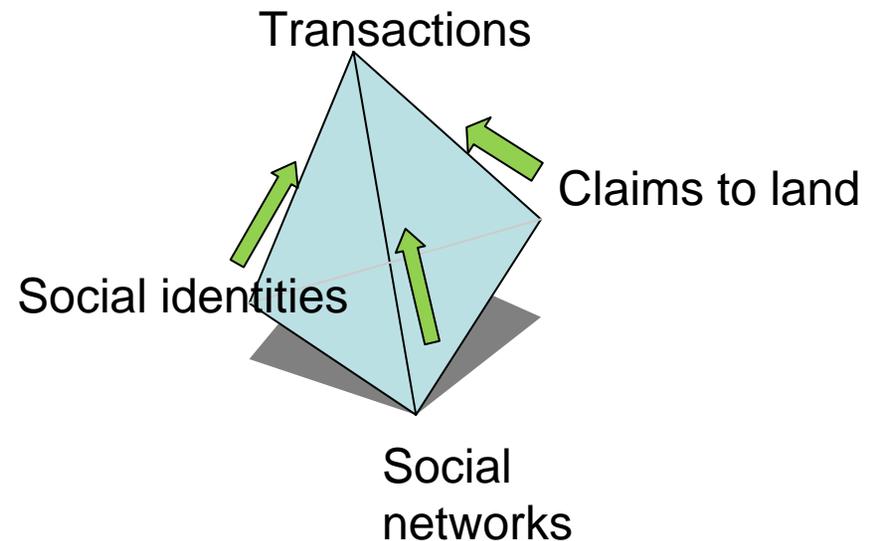
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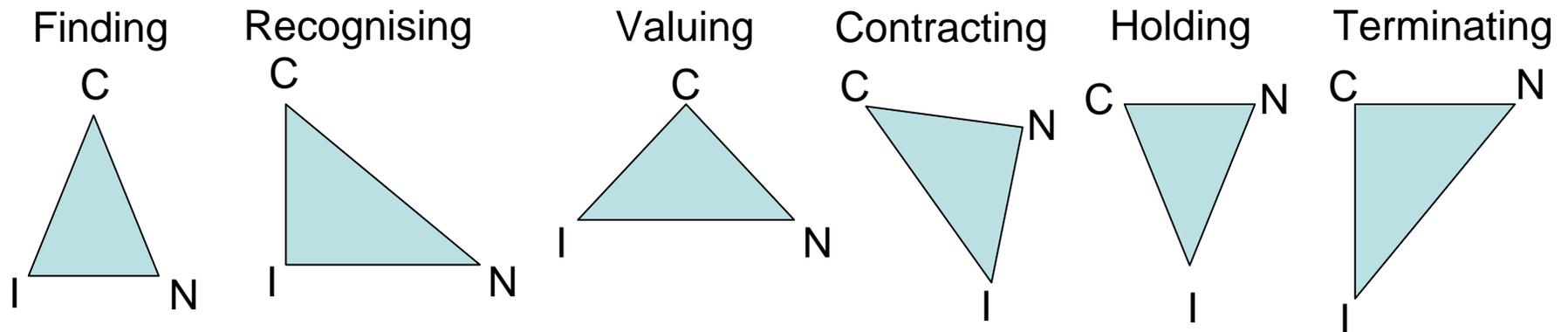
MAKING URBAN LAND MARKETS WORK FOR THE POOR

Informal land markets

- The importance of social relationships
- Property as “socially embedded”
- A false formal/informal binary
 - Co-existing systems of land use and new categories to classify these systems
 - Social and community; financial; and state processes



Land transaction process



I = Social identities

N = Social networks

C = Claims to land

(1) Land markets operate in poorer parts of our cities.

Land markets are sets of processes whereby the allocation and re-allocation of claims to land are mediated in some way. Land transactions may be commoditised, but are not necessarily so for a land market to operate.

- In every five years, an average of 26% of households in shack settlements exchanged houses
- In RDP housing, where 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.



	RDP		Informal Settlement		Backyards		Tribal		Council Stock		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
Renting	15	7	6	3	70	100	1	1	7	9	99	15
Allocated by Municipality	168	77	25	12					34	47	227	35
Inherited	8	4	12	6			1	1	4	5	25	4
Looking after it	6	3	9	4					2	3	17	3
Occupied	7	3	89	42			2	3	2	3	100	16
Bought	13	6	66	31			64	91	24	33	167	26
Other	1	0	4	2			3	4			8	1
Total	218	100	211	100	70	100	71	100	73	100	643	100

- Transaction levels are low in RDP settlements [7% rental and 6% purchase]. The 6% purchase is evidence of a secondary market. As one would expect, by far the most significant method of supply in RDP settlements is municipal allocation (77%).
- In informal settlements transactions are significantly higher at 31%, although occupation is the dominant form of supply at 42%.
- Rental transactions dominate in the backyard rental sub-market and they are also evident in RDP settlements, informal settlements and council flats (7%, 3% and 9% respectively).
- Purchase is high in the council stock segment (at 33%) although municipal allocation dominates (47%).
- Transactions dominate significantly in the customary case with purchase at 91%.



(2) Informal settlements play a critical role in urban land access

- Nearly 50% of households in the RDP settlements come from informal settlements
- Majority of household heads in informal settlements indicated that their reason to move would be because the government has provided a house and land.
- RDP housing is perceived as the route out of informal settlements / informal settlements can be perceived as performing the function of “reception area” for some households



(3) Little differentiation in perceived advantages of living in informal settlements, RDP housing projects and backyard shacks.

- Very few qualitative differences between informal settlements and RDP housing projects.
- Perceptions of an improvement in people's situation in RDP case studies were only observed in 53% of the surveyed households and for 29% their situation remained the same. (The majority of respondents in the RDP housing projects (72%) came from informal settlements or backyard shacks).
- The results also showed that what respondents valued most about their allocation of an RDP house and land was that it was 'free'.
- The RDP housing project case studies were not especially valued for their proximity to employment opportunities (Old Dunbar being an exception).
- A smaller, but significant group valued 'access to schools' in the RDP cases studies.



(4) Household decision-making about accessing urban land is closely linked to livelihoods

accessing urban land in a suitable location can result in increased access to jobs and income-generating activities, and lower living costs

Livelihoods-related reasons for moving from previous places of residence included unaffordability of rent (for people previously living in backyard rental accommodation) and rural poverty and unemployment (for people previously living in rural areas).

Livelihood-related reasons for moving to a specific settlement included good location (i.e. close to jobs, shops, facilities and/or transport) and cheaper living expenses (i.e. not having to pay rent and service charges, being able to access food cheaply, or being able to grow one's own food).

Access to land in a relatively good location, as in the case of Somalia Park (which is within walking distance of a wide range of economic opportunities and social facilities), can result in more likelihood of getting a job or earning an income in other ways, less time and money spent on transport and in a better quality of life for all members of the household.

On the other hand, access to land in a poor location (i.e. far from jobs, schools, shops, facilities and transport), as in the case of Kingsway, can have a very negative impact on the quality of life. The case of Adams Mission also shows that being able to grow one's own food (i.e. having relatively large pieces of land and fertile soil) can also be a factor in terms of livelihoods (but usually, as in the Adams Mission case, with the trade-off of being further away from CBDs and other concentrations of job opportunities).



(5) Social relations are dominant in these markets

In general, social relations are dominant in these markets, although an economic rationale is present when people make decisions.

- Family and friendship networks are the most important means through which the respondents find others to transact with (with the exception of Kingsway where 44% of the respondents noted that the community meeting had been the most important way of finding out about their options).
- Social networks are also important for checking the trustworthiness of other parties to the transactions, and the extent of this importance varies between the metropolitan areas and the case studies.
- While the social networks for finding, checking the trustworthiness and making the agreement may have been stretched over long distances and are discontinuous, when it comes to resolving disputes over land there tends to be a shift and local, neighbourly networks appear to be more important.
- Social networks might also begin to enrol the local councillor or municipal officials or, in the Tribal area, the local induna.



(5) Social relations are dominant in these markets

The state is present in these markets.

- Once people have accessed land they enrol or are enrolled in processes of development that are dictated and determined primarily by the state.
- There are obvious ways in which the state is involved in poor and informal areas. For example, in registering shacks the state creates a new commodity which revolves around a 'right to future development'.
- Typically, the (peripheral) spaces poor people have accessed become the sites of RDP housing projects or shack upgrading. But what some residents are primarily valuing is access to a right to future development, rather than the exact space they are occupying or their current location in the city.
- This stimulates land markets in these areas, the commodity that is created around a 'right to future development' has a variable value.



(5) Social relations are dominant in these markets

Financial logic is evident too, although social factors tend to dominate in these markets.

- In the activities of the respondents themselves - instances of transacting on the basis of price rather than social values. This might be in situations where households have made improvements to their dwellings.
- Poor people generally land up in peripheral or marginal locations – within the niches of the financially dominated land market model. The location that many poor people access in the city is therefore already a result of the financially dominated land market model.



(5) Social relations are dominant in these markets

characterised by a mixture of social and community, financial and state processes (i.e. processes mediated by community-based institutions, financially-driven processes and processes mediated by the state).

Esp. in informal settlements: local community-based organisations responsible for mediating access to land and land is generally not regarded as a commodity with a price (although shacks are very much regarded as a commodity with a price, and are often bought or sold, selling a shack does not usually seem to mean selling the claim to the site the shack is on).



(6) Rental and sales markets are both present

- Both rental markets and sale or purchase markets are present and there is evidence of secondary market activity, although this varies in different settlement types.
- These markets can be segmented according to supply channel along the following lines:
 - **Sale:** in communal areas, informal settlements and RDP settlements
 - **Rental:** in backyard shacks, council stock, informal settlements and RDP settlements
 - **State allocation:** in RDP settlements, council stock and informal settlements
 - **Occupation:** in informal settlements.



- These findings illustrate the main channels of supply in different kinds of settlements, some of which are evidence of market activity, while others are not. For example the state allocation channel in RDP settlements and council stock (and to a smaller extent in informal settlements) are not, whereas the rental channels in former township backyard shack accommodation are. The purchases of RDP stock, informal settlement units and both land and units in communal areas provide evidence of market activity too.
- These varied purchase and rental markets provide a wide range of choices for poor people to access land, above and beyond state allocation and commercial private sector supply which is beyond the reach of poor households.



Informal land market performance

These markets have limitations however, especially in the longer term (beyond the provision of land access).

They allow poor people to access the city and contribute to the urban economy as evidenced by the majority of respondents obtaining their income from salaries and wages. This access is relatively quick, easy and cheap. However, the locations that poor people are able to access are often peripheral or marginal, largely determined by the operation of the financially dominated land market model.

Potential is limited for household wealth accumulation and city revenue generation through, for example, generating a financial return on residential property sales or property taxation.

Socially dominated land markets have a role to play in allowing poor people to access the city cheaply and quickly, access employment, achieve independence, and act as a safety net when households experiences shocks but need to remain in the city.



Informal land market performance

Their limitations also pertain to poor performance on a range of adequacy measures

- Adequacy
 - location
 - shelter
 - space
 - Services
- Affordability
 - Upfront cost
 - Ongoing costs

- Physical security
- Security of tenure
- Future prospects for RDP housing



- Own shack in informal settlement
- Rented shack in informal settlement
- Rented room within shack in informal settlement
- Own backyard shack in established township
- Rented backyard shack in established township
- Rented room in established township
- RDP house in upgrading project
- RDP house in Greenfield project



- Adequacy

- location

Lowest in greenfield RDP

- shelter space

Highest in established townships

Townships highest, IS lowest

- Services

- Affordability

- Upfront cost

All score well, owning shack either in IS or township backyard less

- Ongoing costs

Lowest in townships, highest in IS shack ownership

Physical security

Highest in established townships

Security of tenure

Highest in informal settlements

Future prospects for RDP housing

Highest in IS



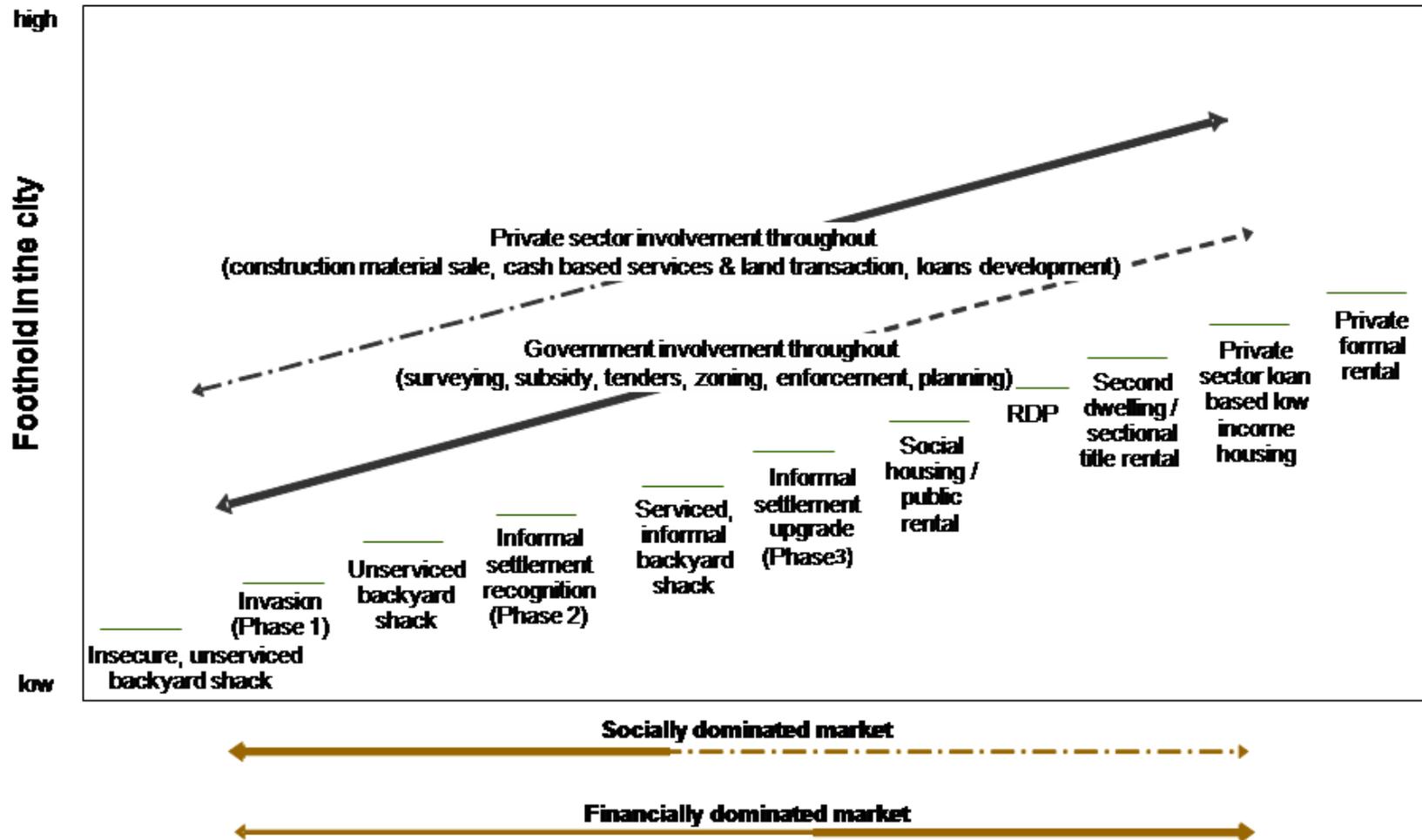
Common assumptions questioned

- *The market is absent in poorer parts of our cities*
- *Informal settlement eradication as an appropriate policy response*
- *Price is determinant in a single and financially dominated market model*
- *The state is absent in so-called “informal” areas of our cities*

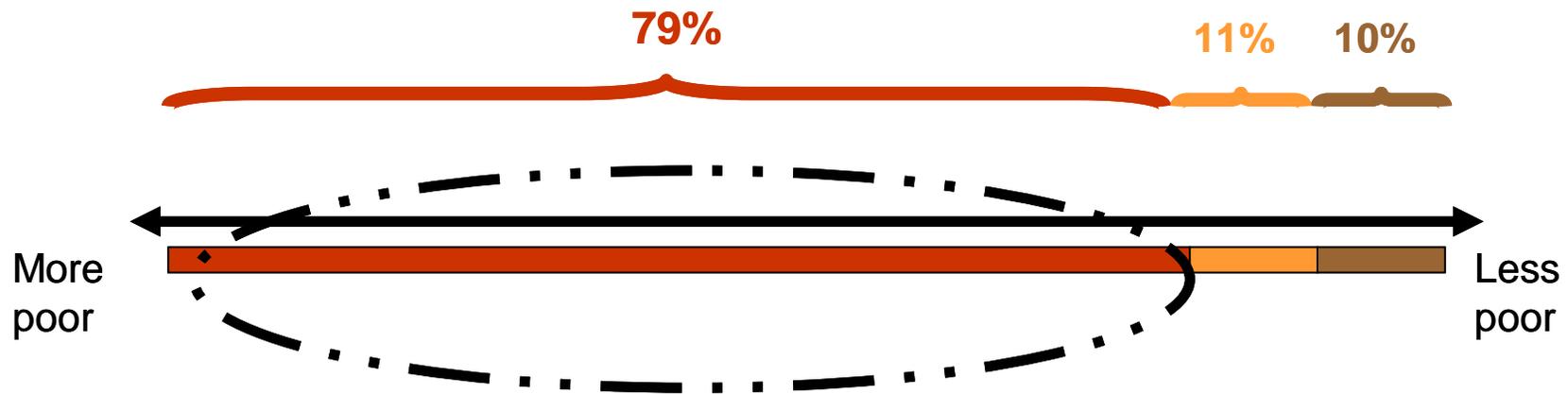
Key policy implications

- Recognize socially dominated land markets
- Support the role that informal settlements play in the urban land market
- Develop social interventions that support poor people's access to land
- Recognize the ways in which the financially dominated land market depends upon the socially dominated
- Public investment should support greater urban land market differentiation

Urban land market



Disaggregating “the poor”



No wage, very low, low and moderate income – 79%, < R3500 hh monthly income

Middle to high – 11%, R3500 – R8000 hh monthly income

Very high – 10%, > R8000 hh monthly income

Shack rentals

- 2.4m households in SA rent their primary dwelling
- Between 18 to 20% of the total rental market lives in shacks; 420 to 520 000 households
- Most rented shacks are in backyards; 23 to 33% are in informal settlements
- Almost 70% of backyard shacks have a flush toilet on site compared to around 20% of those who rent shacks in informal settlements.

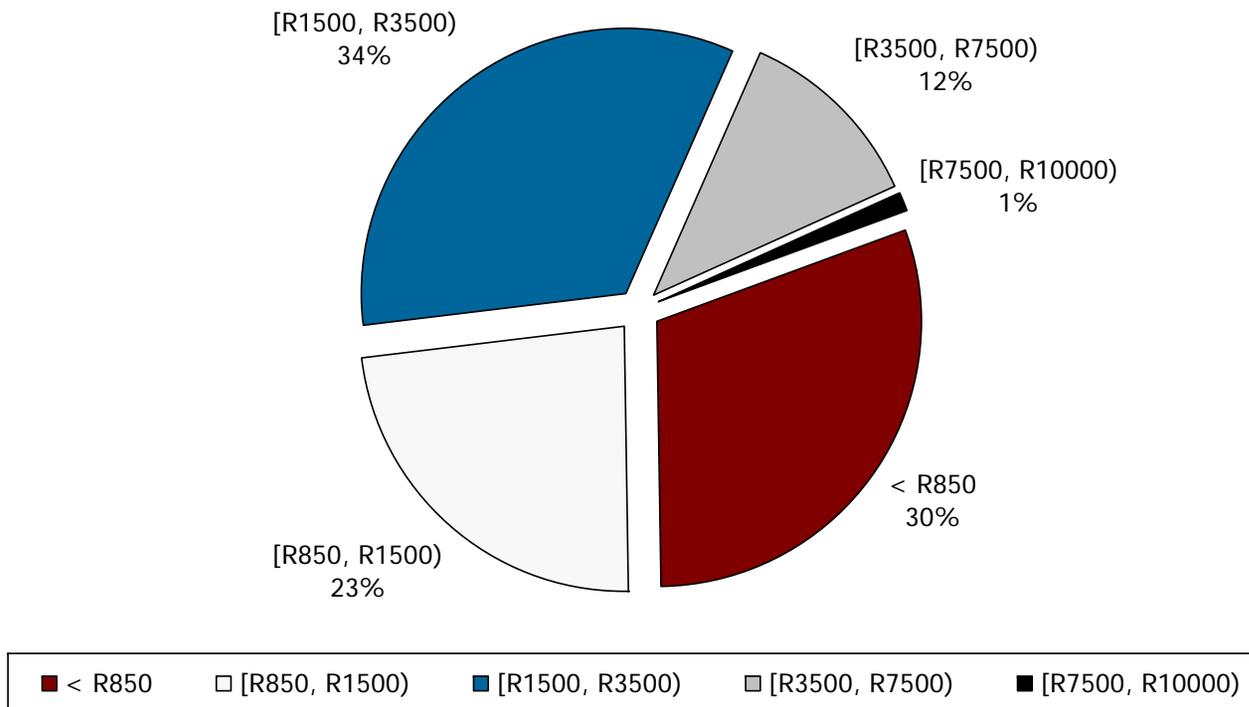
SHF: 'Shack Rentals in SA'.



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Shack rental



Source: IES 2005/6

Thank you