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ANNUAL WORLD BANK CONFERENCE ON LAND AND POVERTY

RES4: Addressing the urban challenge: Are there promising examples in Africa? Tuesday, April 19th | 16:30 – 18:30 pm | MC 2-800

Monitoring land and property markets in African cities: Potential and implications

UN-HABITAT
FOR A BETTER URBAN FUTURE

Urban LandMark
making urban land markets work for the poor

Outline

- What we set out to achieve
- Why try to do this?
- What the main findings were from each side of the process
- How does qualitative and quantitative give us a better grasp?
- Potential and implications

What we set out to achieve

To gain insight into the dynamics of urban land and property markets in North, West, Central, East and Southern Africa, through an economic lens. The aim was a state of the art picture of the trends, actors (formal and informal), strengths and failures, and spatial consequences of the urban land market on the continent

Two types of process: describing and measuring

Process 1 : structured description	Process 2 : rapid assessment tool
UN Habitat/ GLTN & Urban LandMark with five regional teams	Urban LandMark & Rode and Associates
Qualitative description	Quantitative assessment of indicators and trends
Based on analysis of existing information	To be based on assessment of expert panels
Structure: nature of land market, political economy, tenure forms, urban form, land administration, governance processes, market failure & distortions, policy recommendations	**Potential Indicators:** capitalization rates, rental levels, land values, house-price indices, building construction costs, vacancy rates and operating costs
Where: cities in north, south, east, west and central Africa	**Where:** pilot investigation in Gaborone, Maputo and Polokwane (SA)
Used for: regional state of cities reports	**Used for:** country-level state of cities reports

Why try to do this?

Much of the literature on urban land in Africa focuses on state regulatory frameworks and systems and informal land use and ownership. There is little information in policy and development circles around how the urban land market works, and the dynamics and forces that underlie this in the African context.

Why try to do this?

Urban planners, policy makers and specialists are rarely exposed to economic training, yet their actions (or inaction) have a direct consequence on land markets – **the supply, demand and price of land**. Urban land regulation and governance impact on these factors and shape the market for better or worse.

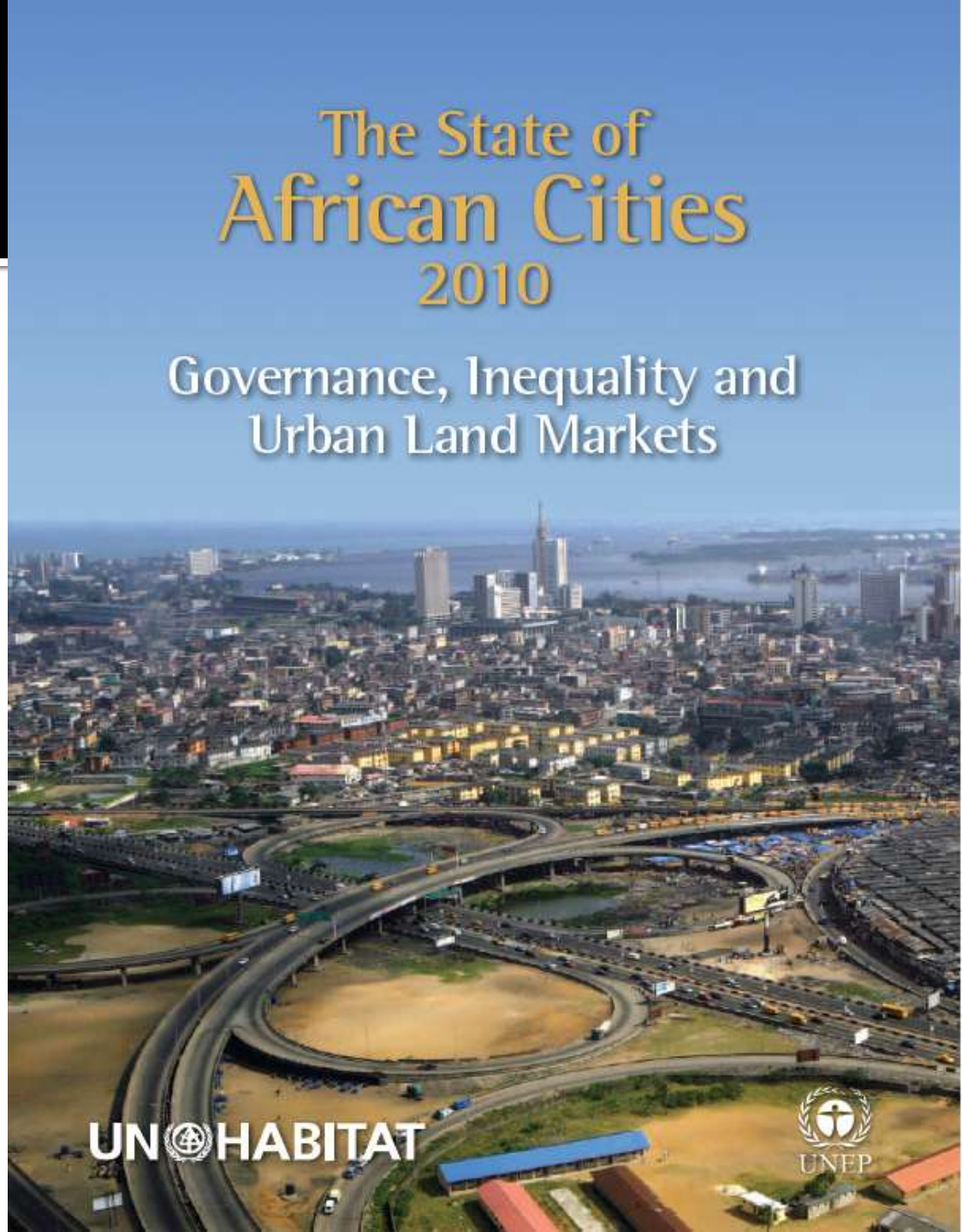
Why it's useful to know

- The private sector builds a large part of the city (formally and informally)
- In the absence of data the market is inefficient for both public and private sector actors
- Without market understanding, municipal officials negotiate with the private sector from a position of weakness
- Poor planning results, with more powerful players dominating
- As a result, poorer urban residents are often further excluded to marginal land
- Municipalities are then unwittingly at the mercy of the market rather than consciously guiding development in the public interest

Process 1: qualitative assessment

Process 1

- Description of urban land markets in five sub-regions of the African continent



Process 1: main findings

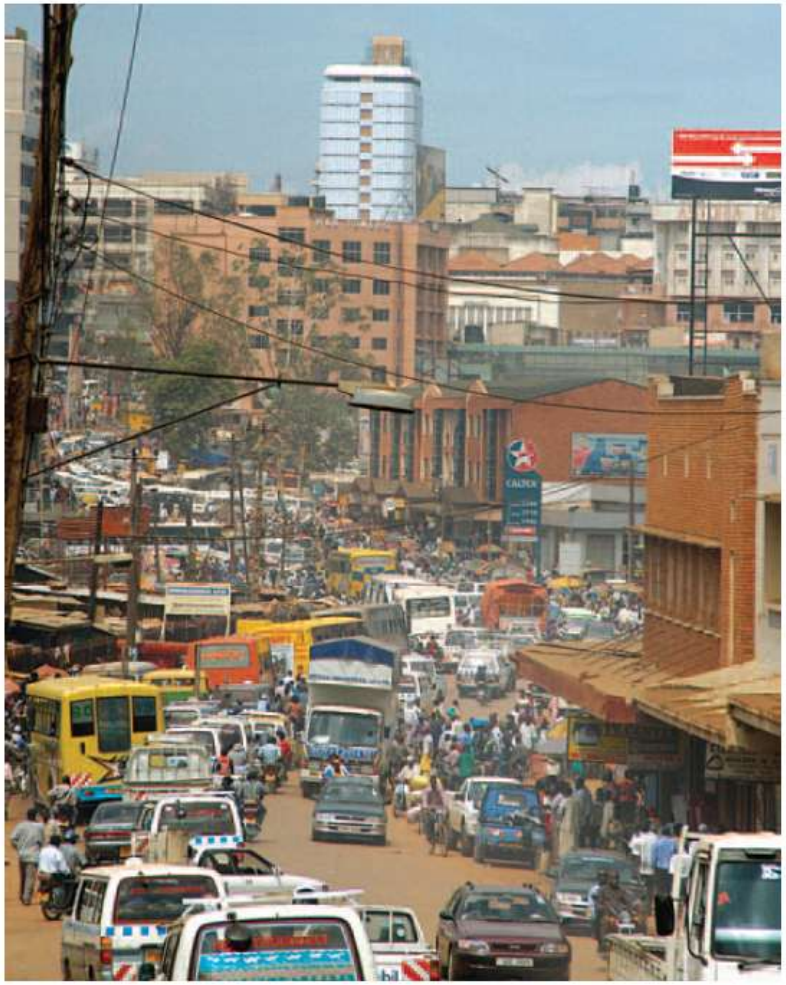
- Operation of market deeply embedded in historically-based legal system, customary/ neo-customary practice, and state of the economy
- Attempts to reform the system often ignore customary and informal social contracts around land and land use
- And try to impose and overlay a modern system despite the realities

▲
Casablanca, Morocco. ©Giorgio Fochesato/iStockphoto

Process 1: main findings

- The 'formal' and 'informal' markets, if looked at through an economic lens, are part of one market
- Despite the fact that the state does not formally register transactions in the 'informal' market, local practices of recognition are considered legitimate by the users
- In many places people feel relatively secure even if they do not have a formal title

Process 1: main findings



Kampala, Uganda. ©Brian McMorrow

- The privatisation of land is happening alongside burgeoning informalization which are becoming the dominant systems
- The spatial outcome is sprawl and vulnerable settlements
- Commodification of land and scarcity of development land cause land values to increase rapidly
- Costs of conforming to the formal system are prohibitive (time, development charges, informal rent seeking) leading to major barriers to entry for actors operating in the informal system

Process 1: conclusions

The State of African Cities 2010

Urban Land Markets

Formal urban markets, by their very operations and rules, prevent access to land by the majority of city dwellers all over Africa. As a result, informal markets fill this exclusion gap and this is where the overwhelming majority of African urban land transactions take place nowadays. This report concludes that governments should seek the most effective entry points for an overhaul of the often abysmal failures of their formal urban land administration systems, with their unresponsive institutions, excessive delays, cumbersome land transaction administration and the associated corruption. Stigmatising informal urban land markets as inappropriate, illegal, illegitimate or undesirable negates the realities on the ground. There is much that formal land markets can learn from their informal counterparts.

Process 2: quantitative assessment

Process 2: intentions

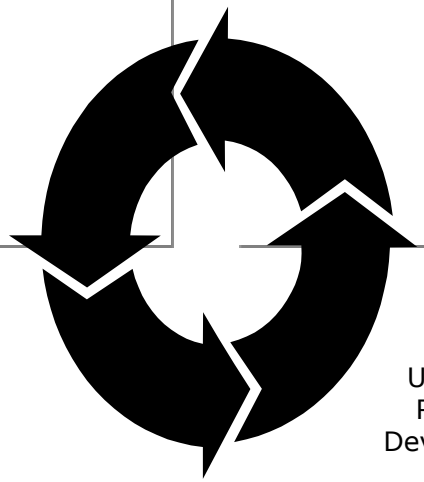
- To understand the broader property market, need to track trends in four dimensions:
  - Land dimension
  - User dimension
  - Development dimension
  - Finance dimension
- Cost effective way to do this is an expert panel assessing periodically (2 to 4 times annually)
- Trends in informal market require more on-the-ground methods

Development

Institutional impediments
Building-construction cost
Operating cost
Time frames (land-to-stand-to-house)
Services (infrastructure)

User

Accessibility, land allocation
Betterment
Social mobility
Nominal demand, symbolic value, social meaning
Effective demand, household income
Information (to user, to investor to market)
Gender equality
Tracking property prices
Rentals
Market value
Ratio of home ownership



Finance

Affordability
Transaction cost
Transactibility/ legality
Local revenue

Land

Availability of land
Urban tenure arrangements
Registration and recording
Developability/ land conversion
Land invasion
Spatial identification of land parcels
Location

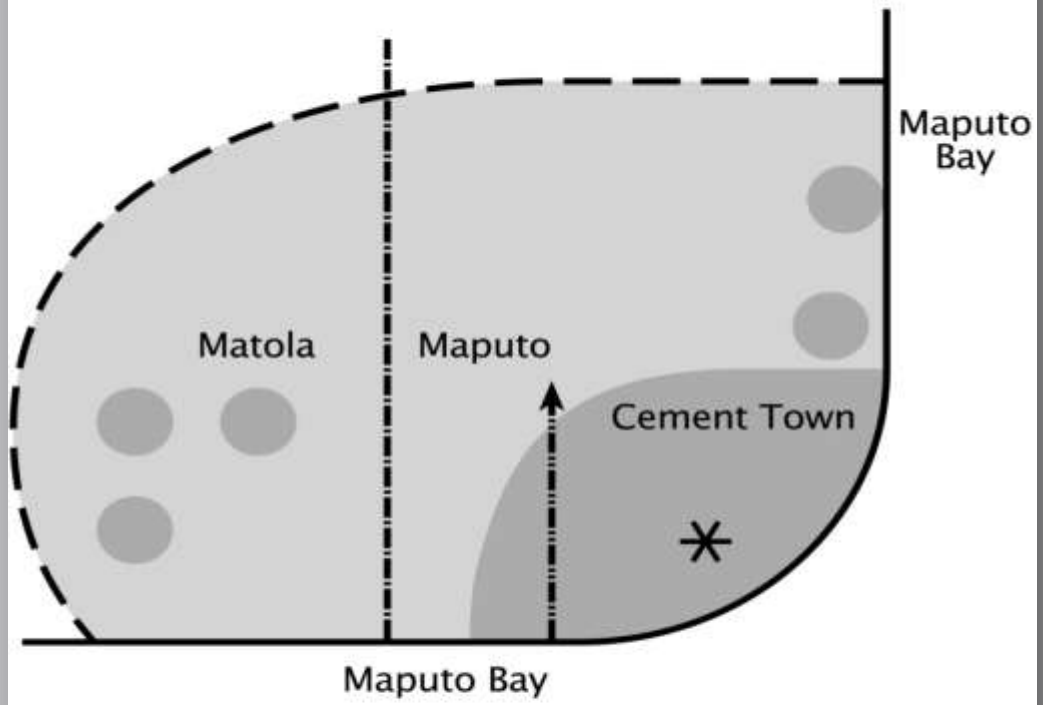
Process 2: method

- Potential data that could be collected:
  - 1. **Capitalization rates**
  - 2. **Rental levels in formal areas**
  - 3. **Land values** (serviced stands)
  - 4. Market **rentals** for **shacks** in informal areas
  - 5. **House-price indices**
  - 6. A **building-construction-cost index**
  - 7. **Building-construction activity**
  - 8. Rented property **Vacancies** by type and grade and node
  - 9. **Operating costs** per square metre by type

Process 2: main findings

- Pilot investigations in Polokwane, Maputo and Gaborone
- Rents very high in old formal areas and new middle/ upper income areas depending on state of buildings and services
- Market again conditioned by historical and newly introduced official land systems, but much of what happens is outside of official recognition
- State of the development sector is important factor – ability to produce new stock

Diagram 1
Spatial morphology: Maputo (all state land)



Suburbios: Unplanned informal settlements (permanent and non-permanent structures)

Formal, bricks-and-mortar ("cement") parts of the two cities

Urban Agglomeration (UA)

Administrative Boundary of the Municipality of Maputo

Avenida Vladimir Lenine

CBD

North
(not to scale)
(approximate delineation)

Process 2: process findings

- Expert panel method is cost effective (if not comprehensive) in situation of data scarcity
- Appropriate indicators can only be finalised once an initial assessment is made
- Assessment needs to be done over a number of years (i.e. time series of long property cycles)
- Only works well in larger cities / economies
- Requires long term funding, but can be semi-or fully commercialised
- Delivers a powerful tool for investors, developers and municipalities

Pro's & Con's of two processes

Qualitative Description	Quantitative Measurement
Relatively quick overview possible if base information and studies are available	Longer term investment in data collection and building capacity of panels to report
Snap shot of state of current knowledge	Time series trend data
Data dependent	Generates new data where none might exist
Not fully comparable between cities	Cities in countries and between countries/ regions can be compared
Patchy view, more state-centric (state of legislation, institutions, systems, approvals etc.)	More comprehensive overview including private development sector
More useful for designing interventions in land administration and planning/ land use management systems	More useful as decision making tool for investors and to strengthen official negotiation with private sector

Potential & implications

Greater understanding of property dynamics in formal and informal sector will change the way governments regulate and plan cities, and how they engage the private and popular sectors.

What is needed?

- Property information about African cities fairly scarce
- Cost-effective **"barometer"** is needed for all urban actors, including both descriptive and indicator-based elements
- Needs backing from multi-lateral agencies to establish it
- Needs buy-in from associations of municipalities
- Can be **partly or fully commercialised** over time
- Can be a very useful add-on to either or both "Doing Business" study, and/ or "State of Cities Reports"
- Crucial tool to **improve chances of inclusion of informal development sector** into a more appropriately designed formal land management system