

Exploring transactions in informal markets

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Presentation Overview

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- Findings:
 - Type and extent of transactions
 - Settlement types and land transactions
 - How much people paid when transacting
 - How the transaction process worked
 - How risks were addressed
- Conclusions

Introduction

- Presentation covers an additional analysis of the data from the study into 'How the Poor Access, Hold and Trade Land'
- Focus was to obtain a deeper understanding of how the poor transact, trade and develop land and the costs thereof with a particular focus on determining:
 - How much people pay when transacting
 - How the transaction process works
 - How risks are addressed

Methodology

- Data used from the study into 'How the poor access, hold and trade land' was the social survey component:
 - Three settlements in three metropolitan areas:

Area type Cape Town		Durban	Ekurhuleni		
Informal settlement	Nkanini	Blackburn Village	Somalia Park		
RDP Housing Project	Delft	Old Dunbar [Cato	Kingsway		
		Manor]			
Unique aspect	Mannenberg	Sobonakona	Wattville		
	[Council stock]	Makhanya Tribal [tribal	[Backyard Shacks]		
		land]			

- 75 qualitative interviews [8 per area],
- 640 quantitative interviews [70 per area]

Methodology cont.

- Quantitative survey :
 - By settlement type:
 - RPD Housing: developed by Govt and allocated to beneficiaries
 - Informal Settlement: developed incrementally through occupation of land by households
 - Council Rented Stock: formal units built by Govt as rental accommodation ownership being transferred
 - Tribal Land: housing built on land owned by a Traditional Authority -customary tenure
 - Backyard Shacks: stock for rental on an existing property formal & informal dwellings
 - Disaggregate the data in terms of how the household acquired the land i.e.
 - Respondents who bought
 - Respondents who were allocated the unit got it free
 - · Respondents who were renting
 - · Respondents who had accessed the property themselves occupied it
- Qualitative data: Reviewed to add detail to any of the findings emerging out of the analysis of the quantitative data
- Statistical validity of the findings is an accuracy of 95% within a range of 11%
- In two instance i.e. respondents who bought and rented in RDP settlements the sample size was not big enough to be statistically valid – findings are indicative only

Type and extent of transactions

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

- Over one third accessed land through allocation [35%]
- If a transaction is defined as a business deal which involves buying and selling - 41% accessed land through a transaction i.e. 26% bought and 15% renting
- Of those who transacted most are living in informal settlement areas:
 - Of those who bought 40% are in informal settlements and 38% in tribal stock
 - Of those who renting 71% are in backyard rental

Settlement types and transactions

Settlement type	Transaction
RPD Housing	Low levels of transactions: 77% - allocated their property 7% - renting 6% - bought
Informal settlements	Medium level of transactions: 42% - occupied their property 31% - bought
Backyard rental	High level of transactions: 100% - renting
Tribal stock	High level of transactions: 91% - bought
Council stock	Medium level of transactions: 47% - allocated their property 33% - bought

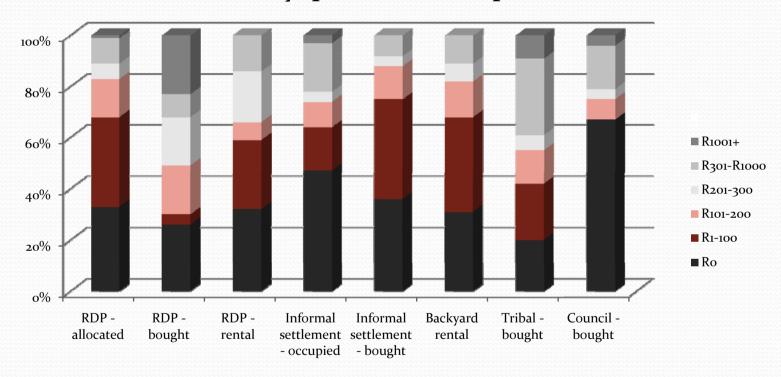
Poor are accessing land through three processes in the settlements surveyed i.e.:

- Allocation
- Occupying
- Transacting themselves

Words of EK1 [RDP] 'We were told we could only sell after living here for 8 years, people therefore have problems when they buy a house as ownership cannot change.'

How much people paid when transacting

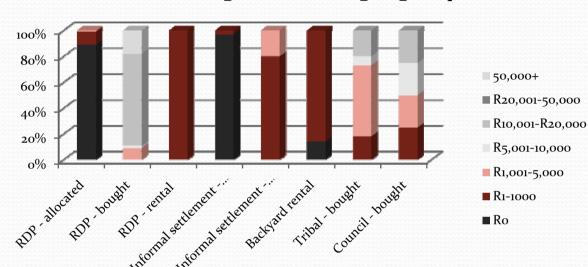
Money spent to find the place



- Generally households are paying very little to find the property across all of the settlement types
- Households who purchased are generally spending more

How much people paid when transacting

Amount paid for the property

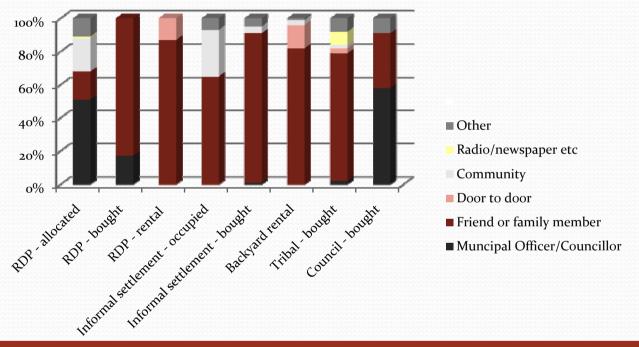


Financial logic is evident in the words of ES1 'I saw Somalia as a place where I can live without expenses every month. I also saw that it could be affordable. When you are renting you need to be employed.'

- Highest prices paid in RPD bought: 71% paid between R10,000 and R20,000 for the property – amount is small in comparison to the properties value, but high in terms of income [98% earn less than R2500 pm]. 18% paid closer to value i.e. above R50,000
- Tribal bought: 55% paid between R1,000 and R5,000. 27% between R5,000 and R20,000
- Informal settlement bought: 80% paid less than R1000. 20% between R1,000 and R5,000
- Rental most affordable: Backyard and RPD rental most pay less than R1,000.

The qualitative survey indicates that most respondents who rent pay a monthly rental, which they pay regularly. In addition they are required to undertake chores including cleaning the yard, toilet etc. In comparison most respondents occupying council housing are required to pay rent but do not appear to do so, with no recourse.

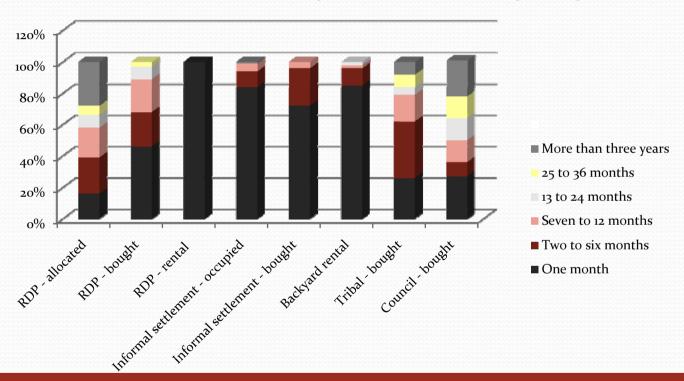
From whom did you hear about this place



- The process that is followed is different for those who are allocated to those who transacted:
 - Those who are allocated worked through a government driven process
 - Those who transacting worked through a social network
- Low influence of radio and newspaper

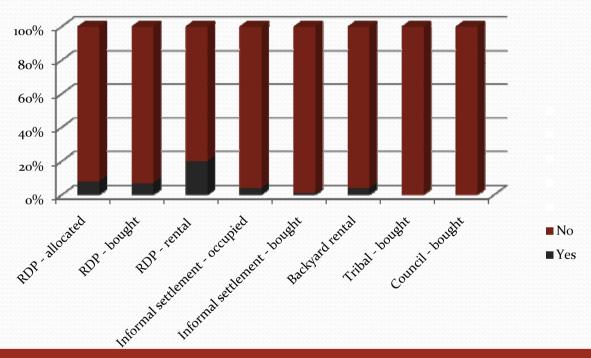
	Process – as determined through a review of the qualitative data
RDP allocated	 Most respondents were living in an informal settlement. Some got information from a family member that Government was undertaking a registration process. Many interacted with a Councilor. They then registered for a house and over time were then called to say that they had been allocated a house. Generally they had no idea of or choice in the area to which they were allocated.
Informal settlements occupied	 Someone in their social network told them there were sites available. They went to the place and talked to a committee or leader. A number paid the committee or leader and were issued a receipt. The amounts paid varied and included R24, R30 and R50 The site was marked and they then erected their shack.
Backyard rental	 They either went door to door looking for a place or a friend or family member told them about it. They then negotiated a deal with the landlord and moved into the room.
Tribal stock	 A friend or relative usually identifies the property. The property is bought from an owner. Money is paid to the owner but no transfer of title occurs. A representative of the Chief then comes to inspect and demarcate the property. The representative needs to be paid both in money and in kind [food and liquor]. The representative will sometimes provide a permission to occupy although some respondents talk of a title deed. The house is then built or occupied.

Amt of time from hearing about the place to getting it



- RPD Allocation took much longer than purchasing
- Renting or occupying takes the quickest

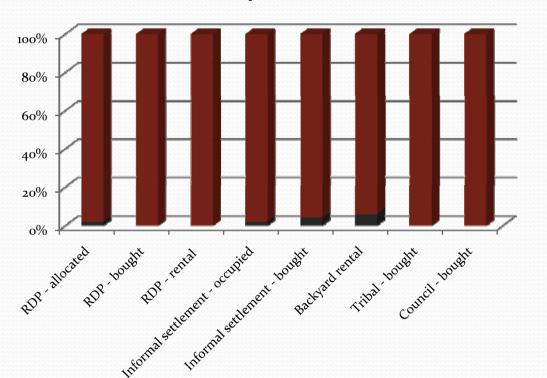
Whether anything went wrong during the negotiations



Most respondents indicated that nothing went wrong during the transaction process – implies that the processes that are being applied are working effectively

How risks were addressed

Have you ever had title



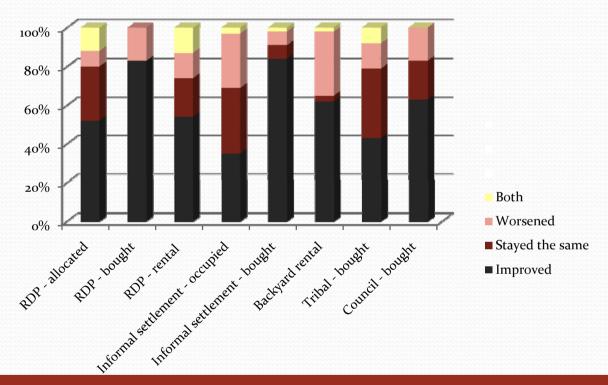
Words of ES1 'There is nothing you can do for the place in the squatter camp to be in your name. I mean lawfully, you cannot stand up on your own'

The majority of respondents did not receive or have title to the property

■ No ■ Yes

How risks were addressed cont.

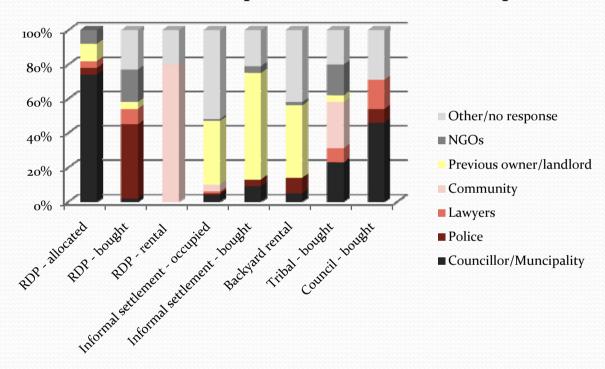
Do you feel your situation has improved or worsened



- Most respondents feel that their situation has improved
- More so for those who purchased
- Least for those who occupy informal settlements

How risks were addressed cont.

If someone disagrees about whether the respondent owns/lives in the place who will be asked to help



- Households in government driven settlements rely on Councilors/ Municipality
- Households in informal areas rely on previous owner, community or landlord

Conclusions

- Poor households in metropolitan areas are accessing and trading in land and land markets are operating
- Informal areas such as informal settlements, backyard rental stock and tribal rental offer more opportunities for trading – than do more formal settlements [RPD and Council stock].
- These areas play a critical role for the poor as they:
 - Offer access to city amenities at no cost or at an extremely reduced cots.
 - Households themselves undertake the transaction and the process is quicker and more efficient than where the property is allocated through a government driven process.