



Urban Land Market Dynamics in South Africa

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Urban Economics

- Cities have a history – why they exist
- Market Forces in the development of cities;
- Understanding spatial issues;
- How is land distributed ?;
- The valuation of land
- Land Use within Cities and policy decisions;
- Who does the market work for;
- Housing and Public Policy;
- Local Government Taxes etc;
- The Rules of the game, and how the game is played;

Maybe We Need To Start Thinking Differently



- Town Planning
- Servicing
- Building
- Occupation



The Interaction Between Markets



**Capital
Markets**

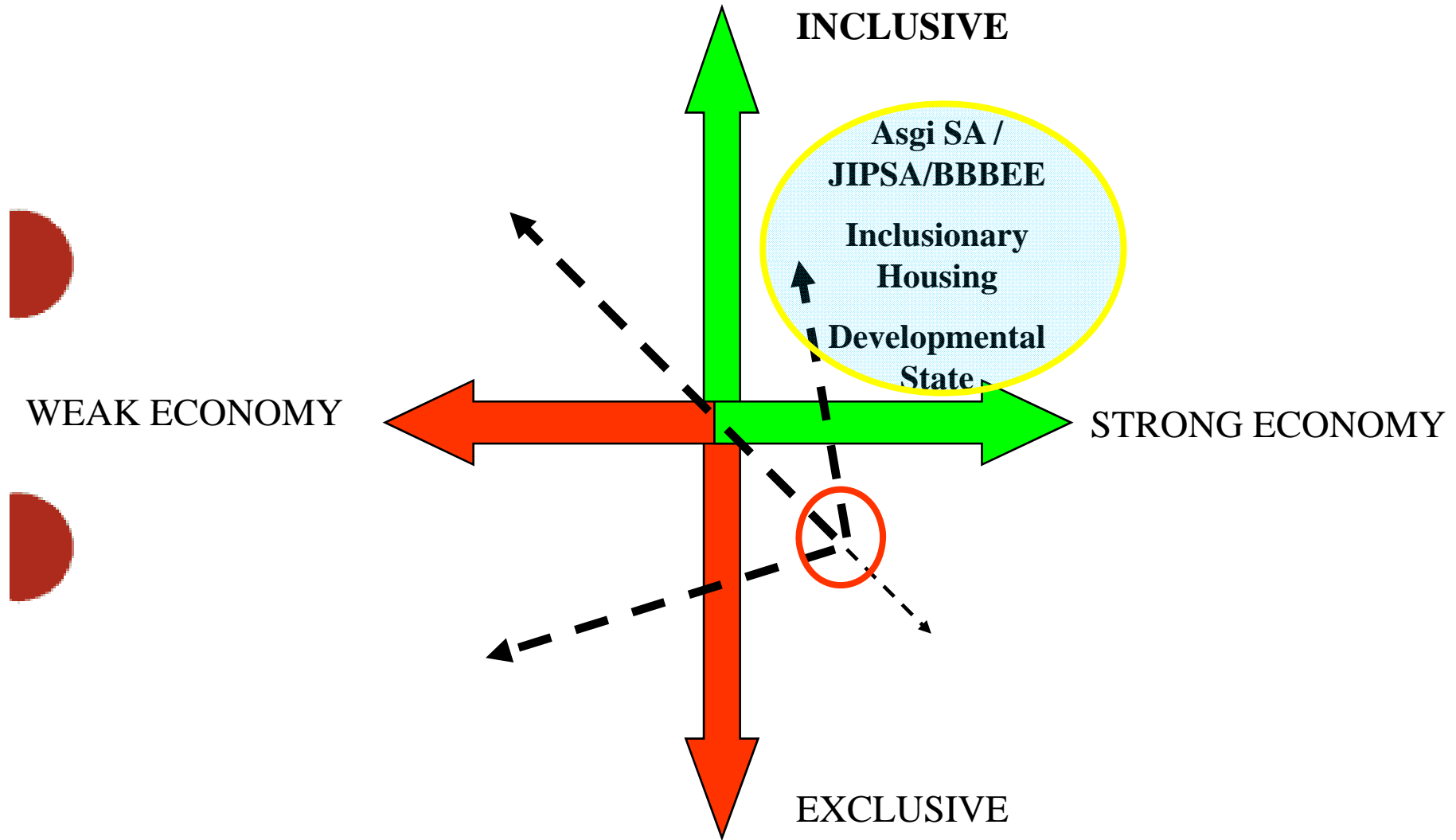
User Markets



**Development
Market**

**The Land
Market**

SA Scenarios



Who Gets What Land

- The One that can pay the most
- Sources of demand
 - Commercial Use
 - Residential Use
- Demand for property leads to distinct patterns of land usage.
- Determined by the profitability of a site to an industry.
- Land value independent on future views on profitability

Highest and Best Use Analysis

- What is Physically Possible
- What is Legally Possible
- What is Financially Possible
- What is Maximally Productive

Why Certain Nodes do Well and others Not



Physical Obsolescence



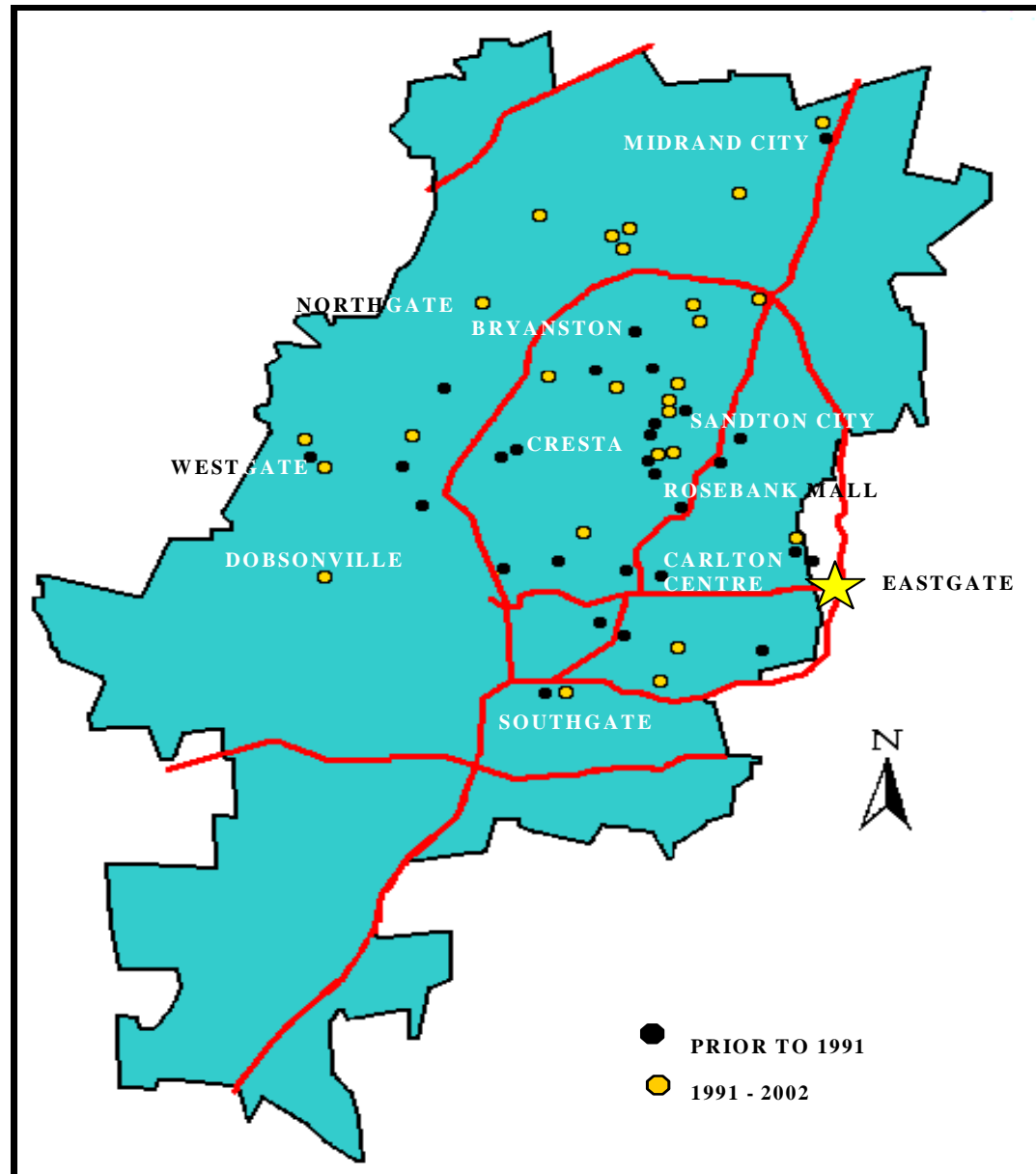
Functional Obsolescence



Economic Obsolescence

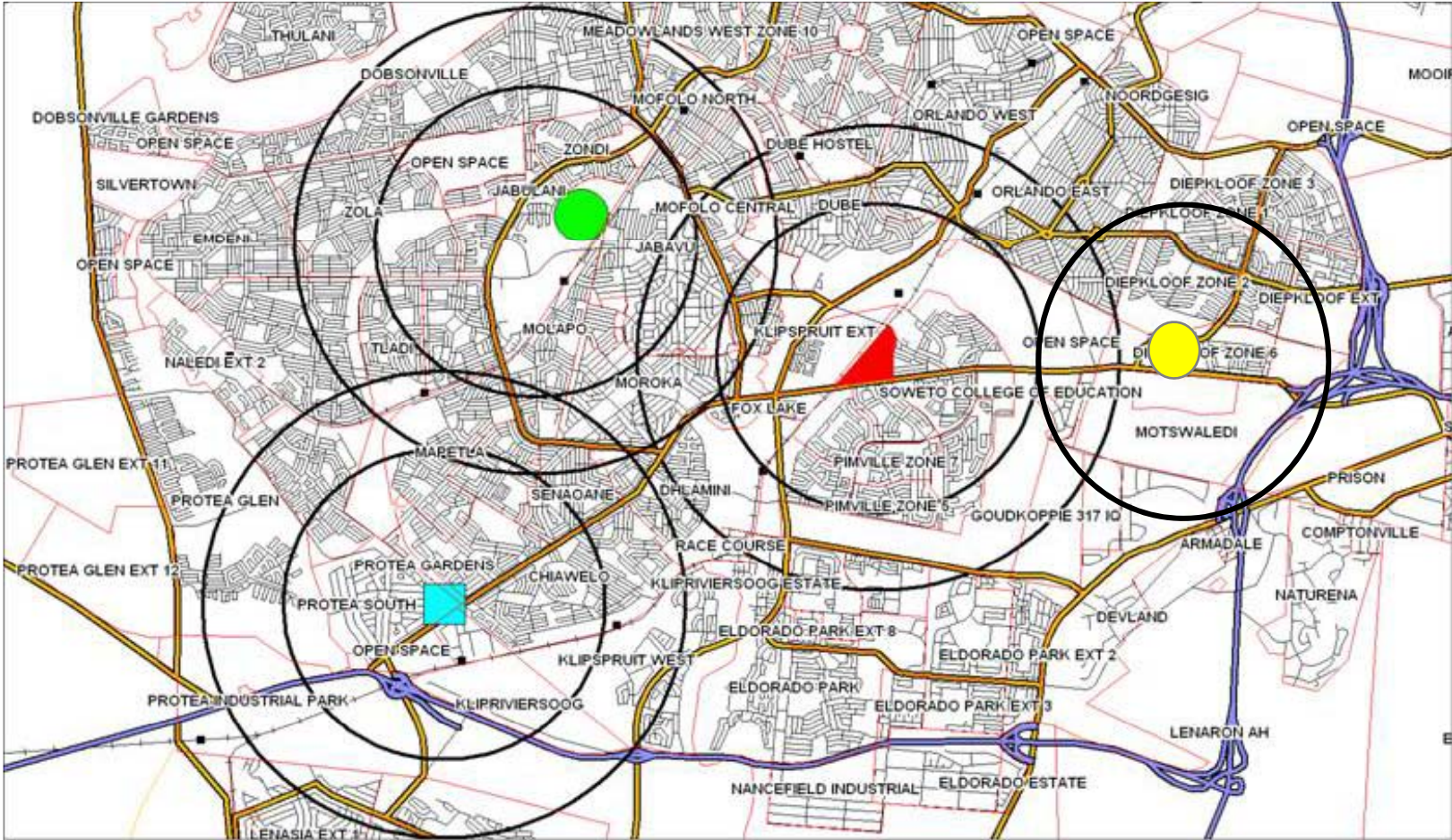


The Distribution of Shopping Malls (10,000m² +)

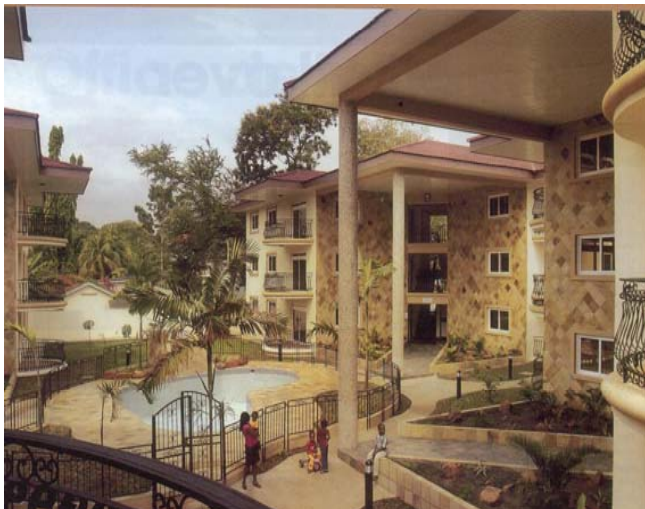


Source: Beavon

New Locational Opportunities



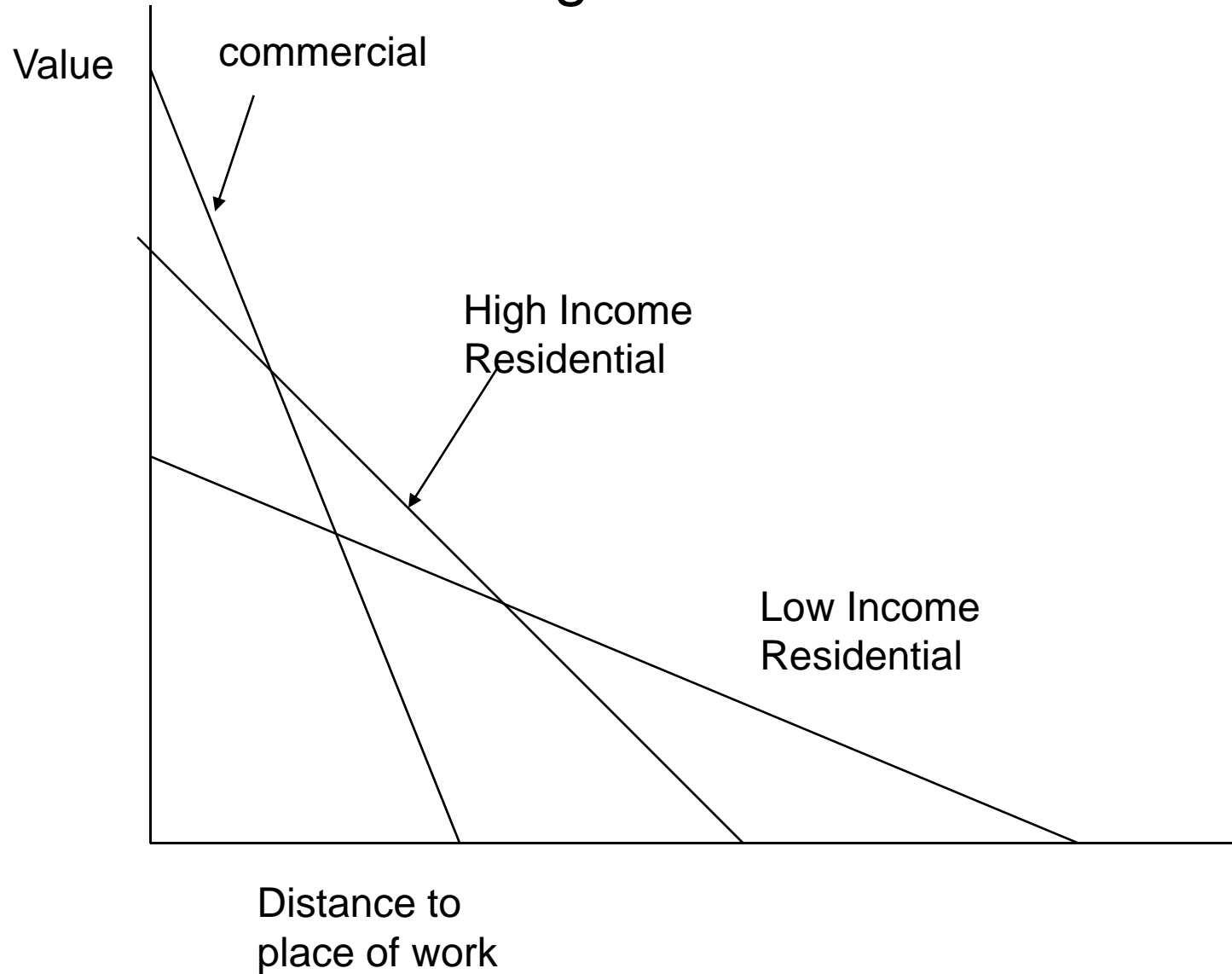
The Changing Residential Built Environment



The Bid Rent Curve

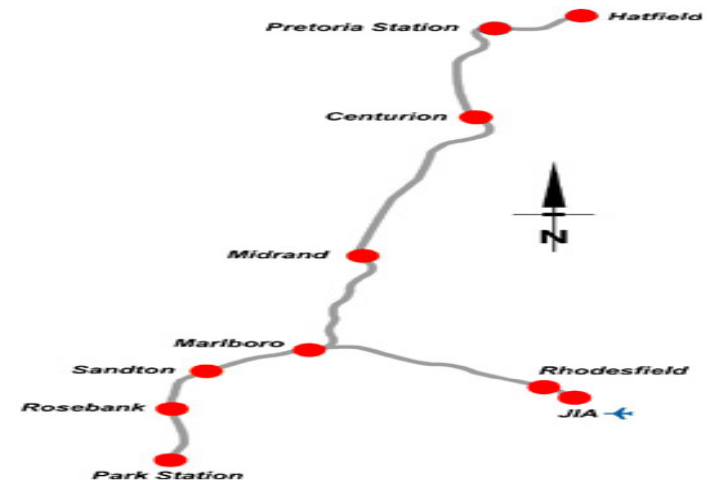
- The maximum rent that a potential user would “bid” or be willing to pay, for a site or location.
- The residual land value determines land value
- Central point is where transportation costs are minimized.
- Each user has own bid- rent curve.

SECTORS BIDDING FOR LAND – Highest and Best Use

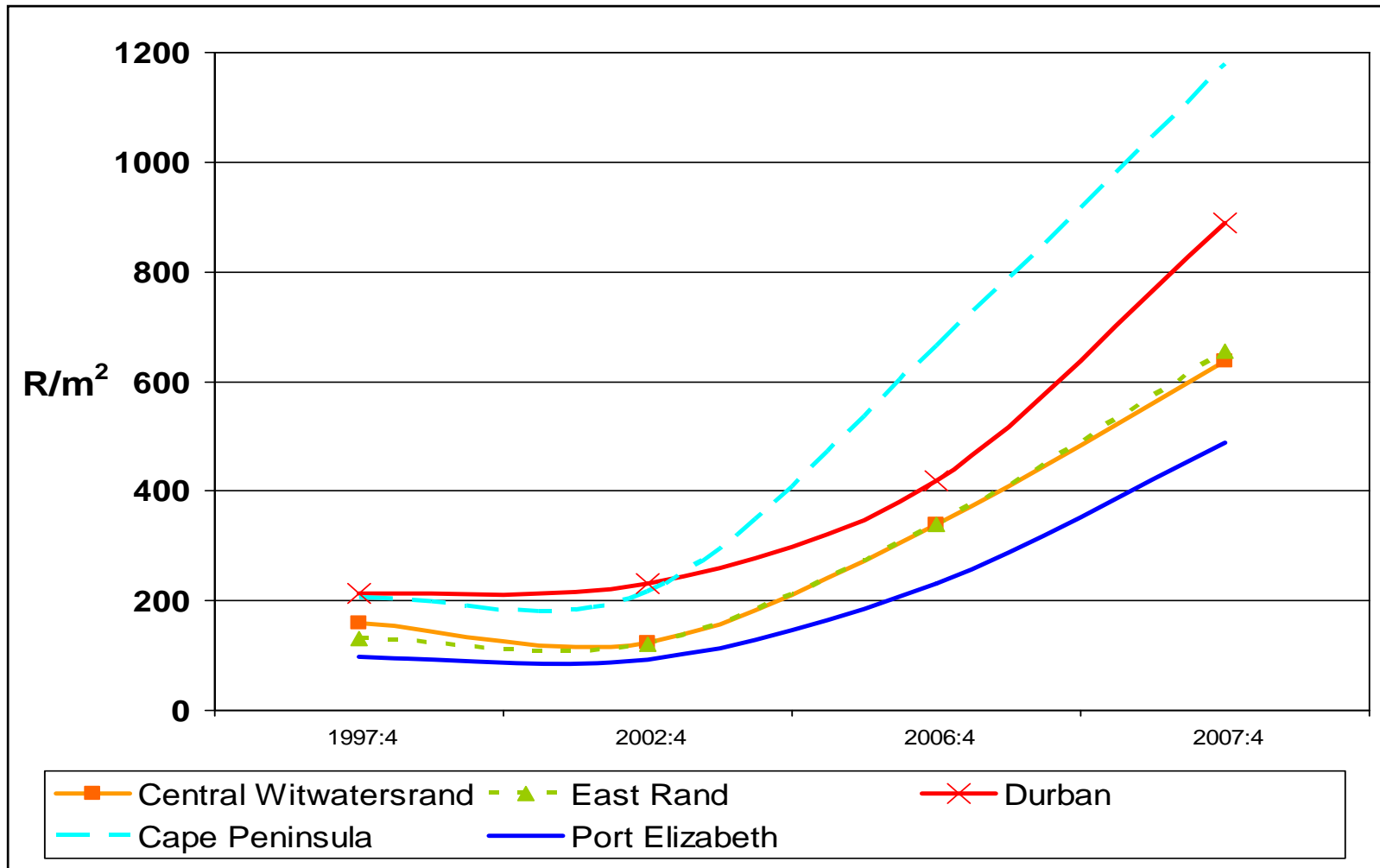


Traffic Congestion Impacts on Spatial Aspects of the Market

- REA Vaya Programme
- Gautrain sees an improvement in linkage with the rest of the city
- Development Opportunities
- Focus on Transportation Costs & Location

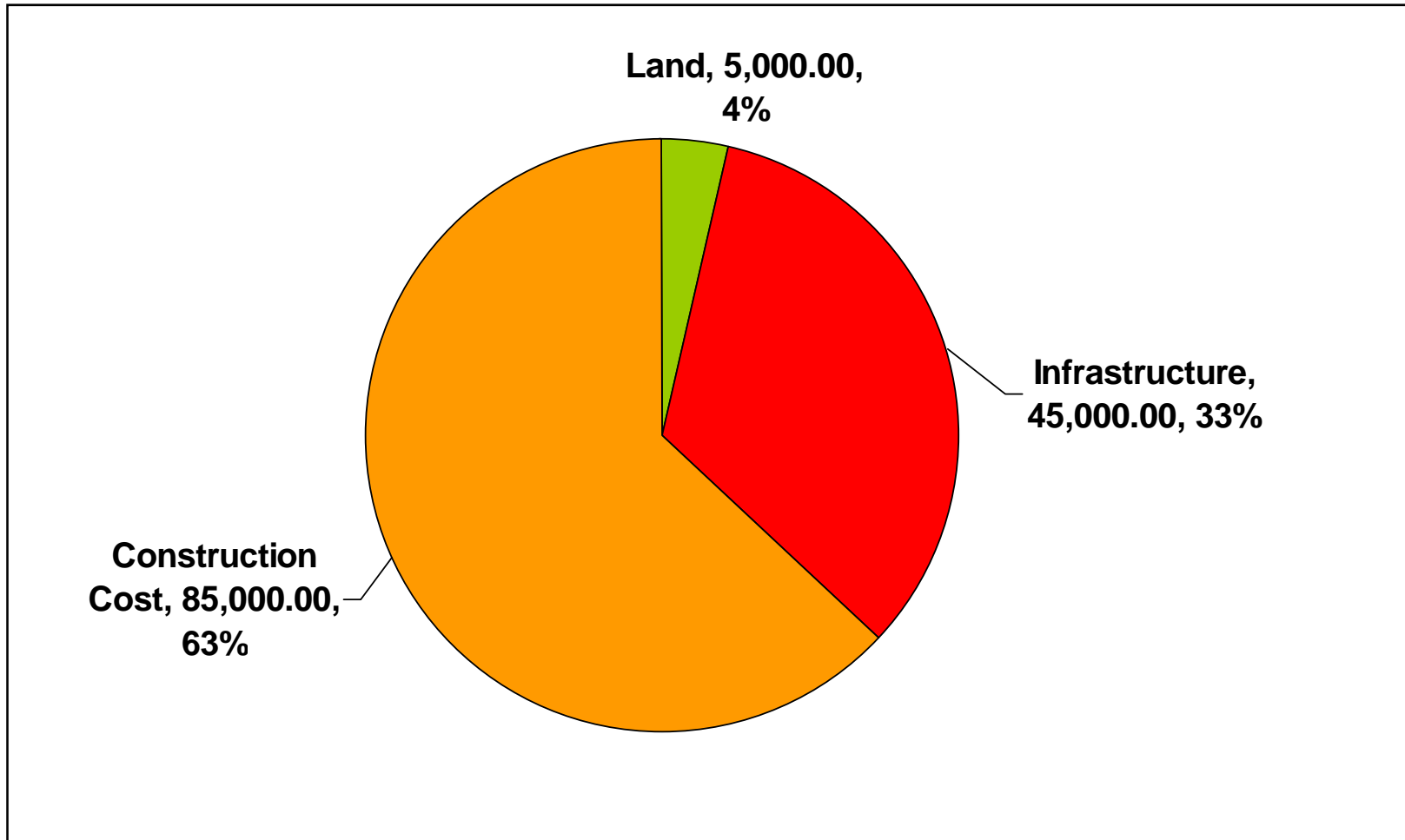


Land Values (1000 sqm sites)



Source: Rode 2008:1

Affordable Housing Cost Breakdown of 45 m² – State Owned Land



Source: Viruly

Understanding Filtering

- How have suburbs shifted
- Have cities become more affordable
 - There is growing evidence that this is the case
- Variation in value growth
- Take the example of Hillbrow, Orange Grove and the CBD

How about the following ...

“In a competitive market each land parcel should go to the activity able to profit the most from locating there, and land should therefore be allocated in its highest and best use “.

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This presentation was made with contributions from:

- Stats SA
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- City Network Project
- My friends

