Urban LandMark

making urban land markets work for the poor

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NEW UNDERSTANDINGS OF THE URBAN LAND MARKET IN INFORMAL SETTLEMENTS AND TOWNSHIPS

Commonly held views of the land market used by South Africa's poor in and around cities are fundamentally flawed, research conducted by Urban Landmark has revealed.

Because such markets do not conform to the obvious rules of supply and demand, and are dominated by family relations and social networks, they are seen as dysfunctional, thin or defective, or quite simply absent.

The results of a study of different types of settlements, both state-supplied RDP housing and shack dwellings, in three metropolitan areas in South Africa: Cape Town, Ekurhuleni and eThekwini, confirmed that land markets are operating in these settlements and that they work for poor people in ways that have not been sufficiently examined. The study found that both state policy and financial markets are shaping these areas.

The study, *Urban land markets: How the poor access, hold and trade land,* will be launched today (Wednesday October 3) in Sandton, with workshops being held in Durban and Cape Town on the following two days.

The study found that over the past five years, an average of 26% of households in shack settlements had exchanged houses, which is similar to rates of exchange in suburban areas.

In RDP housing, where the state limits the resale of houses for five years, 11% of households were involved in transacting. Six percent of the transactions were seen as sales, with average house prices of between R5 750 and R17 000. The other 5% were renting arrangements and looking after houses. Almost all of the transactions were off-register in that title deeds were not officially changing hands. However, despite not being registered with the Land Deeds Register, state officials were often called in to witness these exchanges.

In one settlement where backyard shack transactions were measured, almost 70% of households had moved into their rented accommodation in the last five years.

The research shows that informal settlements have an important place in the urban land market, and simply removing them without providing a viable alternative would undermine the operation of the urban land market, and deny some households a “reception area” in the city.

They perform a function the state and private sector cannot easily achieve. So-called RDP housing, small starter housing provided by the state, is seen as the route out of informal settlements. People make the judgment that it is worthwhile paying the transaction and sale costs of living in a shack because they see this as strengthening their claim on RDP housing.

This is one example of how the state without knowing it encourages specific land markets among poor people. The locations poor people access become the means of obtaining an officially recognised right to land in the city.

Policy tends to be based on interventions within the context of financially dominated markets (where profit making drives the setting of price) and therefore focuses exclusively on issues such as clarifying property rights or providing access to credit.

The research confirms the need to move away from a one-size-fits-all policy approach. Avenues of reform need to explore the interplay between socially dominated land markets and the effective delivery of the services which would improve quality of life, such as transport, health and welfare and anti-crime programmes.

The conclusion that socially dominated land market logics have little value or that they constitute dysfunctional land markets because they do not appear to be generating wealth should be resisted.

Socially dominated land markets play a role in allowing poor people to access the city cheaply and quickly, access employment, achieve independence, and act as a safety net when households are hit by "shocks" but need to remain in the city. They are vital, and any land and housing plan for the city must make place for them. At the same time poor people need a range of different claims to a variety of land in the city, in addition to shack upgrading and peripherally located RDP units.

The notion of a dual economy and notion of socially and financially dominated land markets have in common that they lend themselves to polarisation. This in turn fails to accept the reality that there is one economy, or one land market, encompassing great variety and within which forces of inclusion and exclusion operate.

These concepts tend to lead to proposals for the removal of both the "second economy" and informal settlements, and the risk is that they dismiss attempts by the poor to secure land, and the fairly efficient market which operates as a result.

The idea of integration, however, recognises socially dominated markets and the role of the second economy, and the relationships within a single economy or land market, both of which continue to fail the poor.

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Full research reports available at www.urbanlandmark.org.za/archive.html

Urban LandMark was set up in May 2006 with funding from the UK's Department for International Development. Urban LandMark aims to play a catalytic role in bringing people together for dialogue. It aims to influence policies and practices in South Africa to improve poor people's access to well-located urban land.

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