URBAN LANDMARK November 2007 Volume 2 No.5

Urban LandMark

making urban land markets work for the poor

RESEARCH OFFERING NEW INSIGHTS INTO INFORMAL LAND MARKETS LAUNCHED

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Study Reveals that Slum Real Estate is Not So Affordable After All

Editor: Denise Buiten

Commonly held views of the land market used by South Africa's urban poor are fundamentally flawed, research conducted by Urban Landmark has revealed. Such markets, dominated not by pure financial logic but by family relations and social networks, are customarily viewed as dysfunctional, thin or defective, and marginalised under the label of "second economy". However, new research has determined the importance of informal land markets and their integral relation to formal markets.

The research, commissioned by Urban Landmark from Isandla Institute and Stephen Berrisford Consulting, focused on both state-supplied RDP housing and shack dwellings in three metropolitan areas in South Africa, namely Cape Town, Ekurhuleni and eThekwini. The study, *Urban land markets: How the poor access, hold and trade land*, was launched on October 3rd in Johannesburg, followed by workshops in Johannesburg, Durban and Cape Town attended by over 190 people.

"Informal land market transactions perform a function the state and private sector cannot easily achieve"

The study found that over the past five years, an average of 26% of households in shack settlements had exchanged houses, reflecting similar rates of exchange to suburban areas. Sales were driven by births, deaths, marriages, divorces, study and work opportunities, and state relocations, and were undertaken according to social networks through word of mouth. In terms of RDP housing, where the state limits the resale of houses for five years, 11% of households were involved in transacting. Only six percent of the transactions were seen as sales, with average house prices ranging between R5 750 and R17 000. The other 5% included renting arrangements and looking after houses. Almost all of the transactions were off-register, although state officials were sometimes involved as witnesses to exchanges.

The study revealed that, while these transactions are not legally registered, the property market is present in these areas and provides an easy, cheap and quick way for the poor to access land and housing. This urban land market therefore plays an important role by helping the urban poor to achieve independence and access employment, and acts as a safety net when households are hit by "shocks" while needing to remain in the city. Simply aiming to remove informal settlements without providing a viable alternative would therefore undermine the operation of an important land

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market and deny some households an opportunity to access land and housing.

The study also showed a significant interplay between formal and informal land markets. For example, a registered shack in an informal settlement can be a valuable asset, since it may grant the holder access to an RDP house.

"Eradication of slums could hurt the poor" - Natal Mercury headline, 5 October 2007

More than half of those in RDP houses come from shack dwellings, according to the study, and in cases where shocks are experienced, such as the loss of a job, informal transactions can offer alternative accommodation to absorb this shock. The study therefore found that the different markets impact and depend on each other, challenging the notion of a divided economy and instead suggesting one economy or land market encompassing a great variety of strategies and transactions.

Policy tends to be based on interventions within the context of financially dominated markets (driven by profit rather than social networks) and a recommendation emerging from the research is therefore that this needs to be revisited. Integrating knowledge of informal land markets into all urban land market approaches and interventions came forward strongly as essential if land markets that work for the poor are to be supported and developed.

To access the study report go to www.urbanlandmark.org.za/archive.html

From *Land Titling*, SIDA

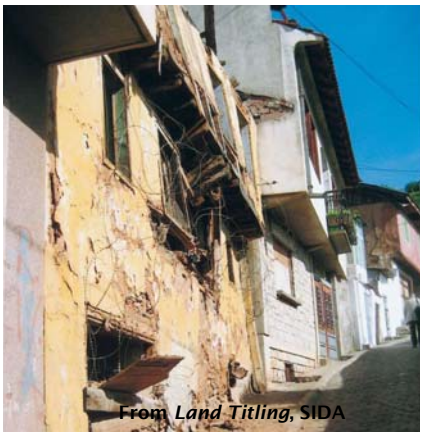
SIDA LAUNCHES URBAN LAND ISSUES PUBLICATION AT SEMINAR IN SWEDEN

SIDA has launched a new publication on urban land issues at a local seminar in Sweden on 18 October 2007. The seminar followed on the heels of the 4th Urban Research Symposium held in Washington DC in May 2007, and drew upon a selection of papers from the symposium that served as the basis for discussions. The new publication, *Beyond Titling*, highlights the key issues to emerge from this selection of papers, including a paper submitted by Urban Landmark. These issues are seen as having wider implications for the ways in which donors, NGO's and multilaterals approach land and land markets. Key themes addressed in the publication include the following:

"Formal land delivery systems have often been inadequate to meet growing urban populations' demands for secure tenure" - Thomas Melin in *Land Titling*

- *Tenure options*, dealing in particular with the benefits and drawbacks of the controversial question of land titling;
- *Urban integration*, assessing the roles of planning, regulation and social norms in promoting or impeding urban integration;
- *Access to land markets*, looking at how different types of markets (both formal and informal) can contribute to more equitable access to land; and
- *Affordable urban properties*, with a focus on pro-poor urban planning and land allocation.

"The state has a very central role in setting the conditions in which the market can fairly distribute land as a complex commodity" - Mark Napier in *Land Titling*



From *Land Titling*, SIDA

The publication draws on examples demonstrating the ways in which poor people are able to benefit from various urban planning and market strategies, and emphasises the benefits of cross-disciplinary, integrated approaches to urban research.

It is available at www.sida.se/publications

ANOTHER GAIN FOR POOR OCCUPANTS OF JOHANNESBURG'S DERELICT BUILDINGS

Johannesburg City is obligated to improve the living conditions in two derelict inner city buildings until such time as affordable alternative accommodation is available for its occupants. This is the outcome of an agreement submitted to the Constitutional Court in October this year, and could have significant implications for municipalities with housing backlogs in the lowest income bracket.

The agreement was commissioned by the Constitutional Court after ongoing court battles between the city and occupants. Jeremy Gauntlett SC, on behalf of the city, contended that the city had a responsibility to evict people from buildings that were unsafe. Representing the occupants, advocate Paul Kennedy argued that the alternative buildings the city had agreed to provide occupants were either full or unaffordable. This would effectively evict a number of tenants out onto the streets.

"The city of Johannesburg must improve the living conditions for occupants of derelict buildings until alternative accommodation is secured"

The agreement heralded a victory for poor occupants of the derelict inner city buildings, with the city pledging to improve living conditions in the buildings while provisions are being made for alternative accommodation, which will not cost occupants more than 25% of their income.

(Chantelle Benjamin, *Business Day*, 25 October 2007)

LOCAL PUBLICATION ASKS WHETHER *LOWER* COST LOW-COST HOUSING IS POSSIBLE

In FinMark Trust's September 2007 *Access Housing* publication, Kecia Rust addresses an ongoing low-cost housing conundrum: why, despite widespread need, can developers not build houses for less than R200 000? According to ABSA, an "affordable house" is classified as one costing R249 714, well above the range of accessibility for a large proportion of South Africans. With the considerable need for housing below R200 000, what possible obstacles perpetually leave this section of the property market excluded?

"A question that's been bothering me for the past few months is this: why can we not build a house for less than R200 000?"
- Kecia Rust, *Access Housing*, September 2007

The question is addressed from a variety of angles including the cost of building materials, applied housing standards, the impact of subsidised housing in the market and the huge demand for housing leading to "downward raiding" by buyers at the top end of the target market. In the latter scenario, the problem can be viewed at least in part as located in insufficient housing supply, where buyers may pay more than the necessary price in the absence of alternatives they can afford, again leaving those at the lowest end of the market without housing.

The question of accessibility of land is also raised as a significant factor, with the price of a serviced stand more than doubling between December 2003 and January 2006. Rust asks whether, despite the steep stand prices, lower cost houses could be possible if stand sizes for low-cost housing are reduced. Some of the objections to this approach, including probable increases in top structure cost, are also raised. To access this article you can go to www.finmark.org.za

(Kecia Rust, *Access Housing*, September 2007)

SPECIAL RAPPORTEUR ON HOUSING HIGHLIGHTS NORMATIVE GAP IN INTERNATIONAL HUMAN RIGHTS

In a report to the United Nations General Assembly on adequate housing as a component of the right to an adequate standard of living, Special Rapporteur Miloon Kothari highlights a normative gap in the international human rights law relating to the right to land. Despite progress in work on human rights indicators, the report stresses the need for endorsing indicators for monitoring the right to access to adequate housing. This includes the need for international recognition of the right to land, crucial in the realisation of the right to adequate housing.

"Without the adequate legal recognition of individual as well as collective land rights, the right to adequate housing, in many instances, cannot be effectively realised"
- Miloon Kothari

The Rapportuer, however, underscores the centrality of the right to access land not only to accessing adequate housing, but as integrally related to human rights to security of person, food, work, livelihood, and self-determination. The report reflects the need to assess land access issues as vital towards achieving human rights in a global context characterised by the dependence of the majority of the world's population on land and land-based resources for their livelihoods.

(Miloon Kothari, United Nations, 2007 available at www.ohchr.org/english/issues/housing/index.htm)

STUDY REVEALS THAT SLUM REAL ESTATE IS NOT SO AFFORDABLE AFTER ALL

A paper revealing the results of a household survey in Nairobi's slums has begun to challenge the perception that slums offer low-cost, albeit low-quality, shelter for those who cannot afford higher standards. The results of the study, involving 1755 households, also raises questions around the benefits of informal land tenure, showing that despite the "informality" of the tenure in Nairobi's slums, rental rates operate in ways similar to formal land markets.

While international commitment towards the improvement of the lives of slum dwellers has recently been revived, the authors of the paper - *Slum Real Estate: The Low-quality High-price Puzzle in Nairobi's Slum Rental Market and its Implications* - argue that a lack of adequate knowledge on slums and their dynamics continues to limit the success of interventions.

"If current trends continue unchecked the number of slum residents will grow to an estimated 1.43 billion by 2020"
- Gulyani & Talukdar, 2006

As part of addressing this knowledge gap, a large-scale study was therefore undertaken to understand who lives in the slums of Nairobi, what they do and how they live. A key finding of the study was that, in contrast to conventional wisdom, these slums provided poor-quality shelter at proportionately high rental rates.

From *Land Titling*, SIDA

In addition, the authors argue that the study revealed that prevailing slum improvement approaches such as infrastructure upgrading and tenure legalisation were unlikely to really benefit Nairobi's slum residents. They propose an alternative framework of analysis through which to better understand living conditions in slums.

(Sumila Gulyani and Debabrata Talukdar, 2006 available at www.worldbank.org/urban/symposium2007/papers/

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