

# Making urban land markets work better in South African cities and towns



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## **Making urban land markets work better in South African cities and towns: arguing the basis for access by the poor**

Acknowledging 8 position papers written in November 2006 by:

- Lauren Royston
- Catherine Cross
- Colin Marx
- Michael Kihato & Stephen Berrisford
- Mercy Brown-Luthango
- Jeff McCarthy
- Karina Landman & Nana Ntombela
- Sarah Charlton

# Structure



1. How is the urban land market distorted and what impacts does this have on the quality of life of the poor?



2. How does the market fail the poor?



3. Why should the poor have a place in the city?



4. What therefore is an agenda for change?

# Concepts



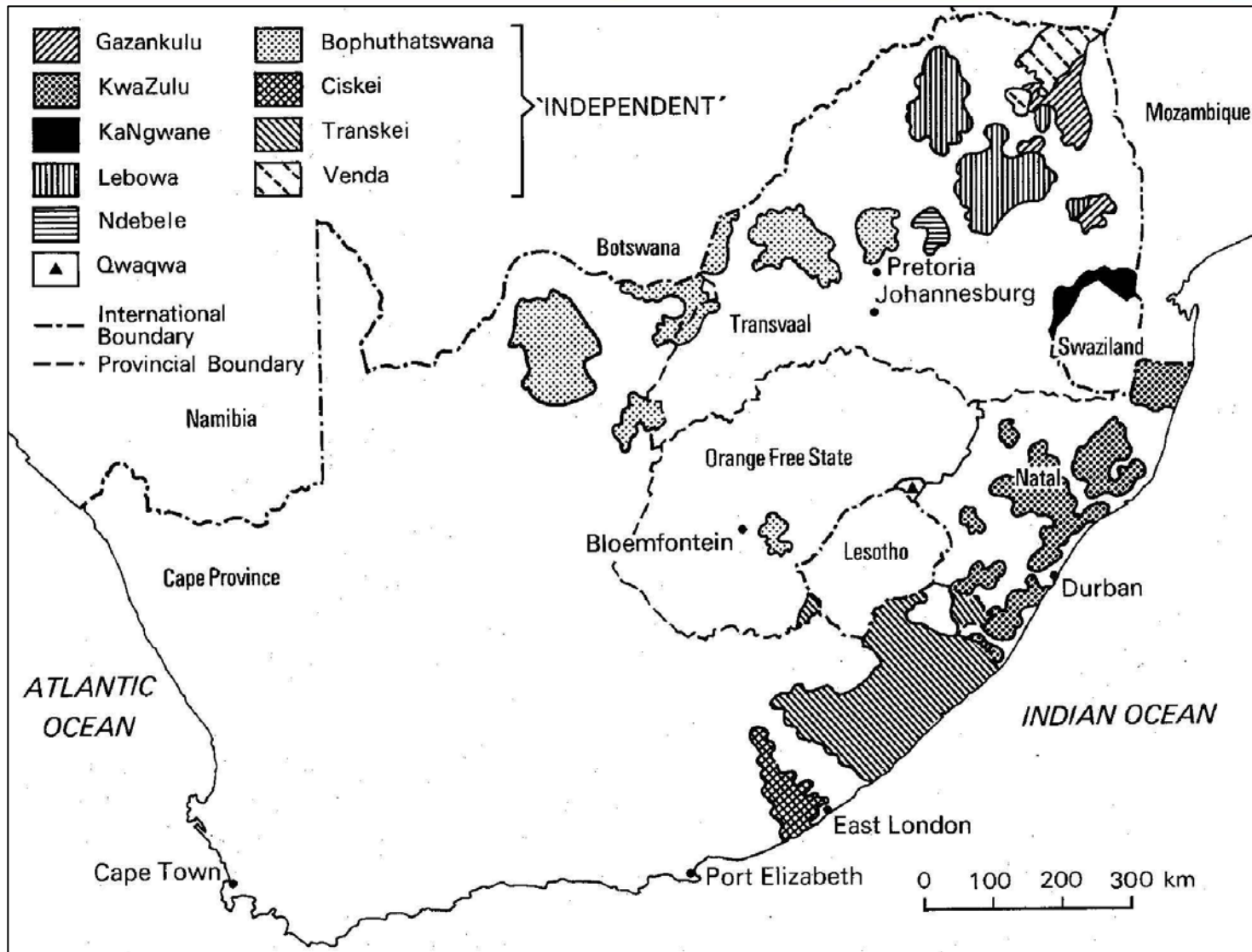
- Market distortion is about deliberate state regulation or intervention which prevents the efficient allocation of productive resources or the unhindered establishment of a clearing price (in this case, for urban land)
- Market failure is about the scarcity of an essential resource (in this case, well located land integrated into the urban infrastructure of South African cities and towns)

# Quote



*“Governments have long recognised that market outcomes may not be pro-poor and have sought to intervene in markets. Unfortunately, traditional approaches to make markets work better frequently make things worse. This is because distortions are introduced that impair the efficiency of resource use and undermine growth. These distortions may reduce incentives for the private sector to grow and invest, and may not meet the needs of the poor. In the end, because of their costs, these interventions are not sustainable” (DFID, 2005).*

# Distortions



Map of homeland areas of South Africa (source: Smith, 1987)

# Distortions



- tenure limited to rental in most urban areas
- education and income limited, therefore affordability depressed
- limited business rights
- layered and inconsistent regulatory systems
- unequal levels of infrastructure
- spatial segregation and dislocation underpinned by transport subsidies

# Impact



There was by 1994 a set of unequal relationships of the potential players in the South African urban land market:

- the dispossessed and the unfairly possessed,
- the educated and those historically denied access,
- the well located and the peripherally located,
- the sophisticated navigators of the complex regulatory environment and those excluded by lack of knowledge of the system,
- the information rich and the information poor,
- those who could afford and those who could not, and
- the owners and the tenants.



# 1994 +



- Election of democratic government
- Removal of racialist legislation
- Constitutional right to land and housing
- Land restitution programme
- Two million houses built through government grant
- Limited residential filtering
- Land values continued to frustrate spatial integration and emergence of residential market

# New distortions

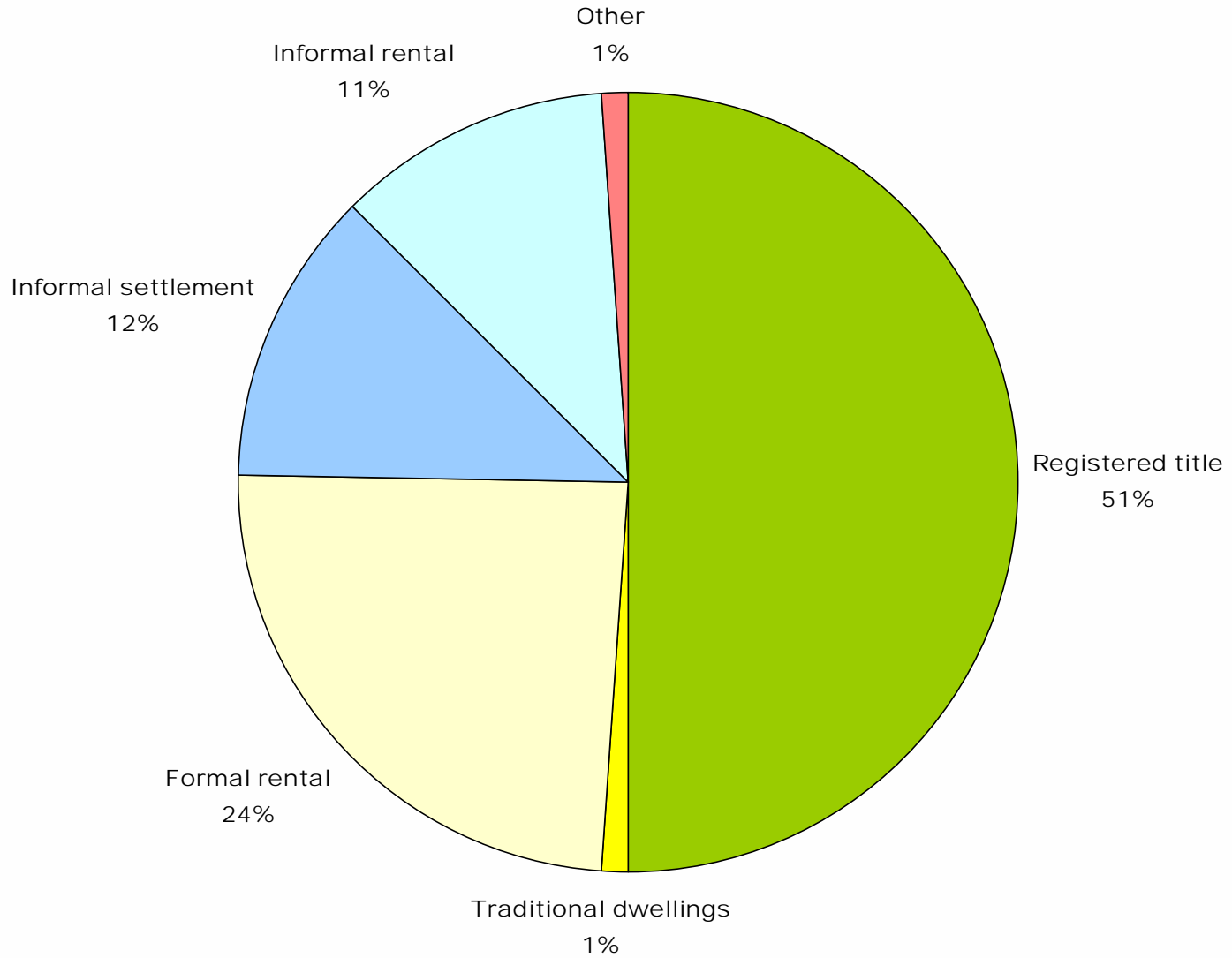


- Emphasis on house production has led to neglect of land (value) and location issues
  - Supply side programme means no expression of demand = mismatch between need and supply
  - Grant system means unwitting market players and under-valued asset
  - Gap between grant product and bank-mortgaged product
- = no available serviced land on market for poor

# Failure



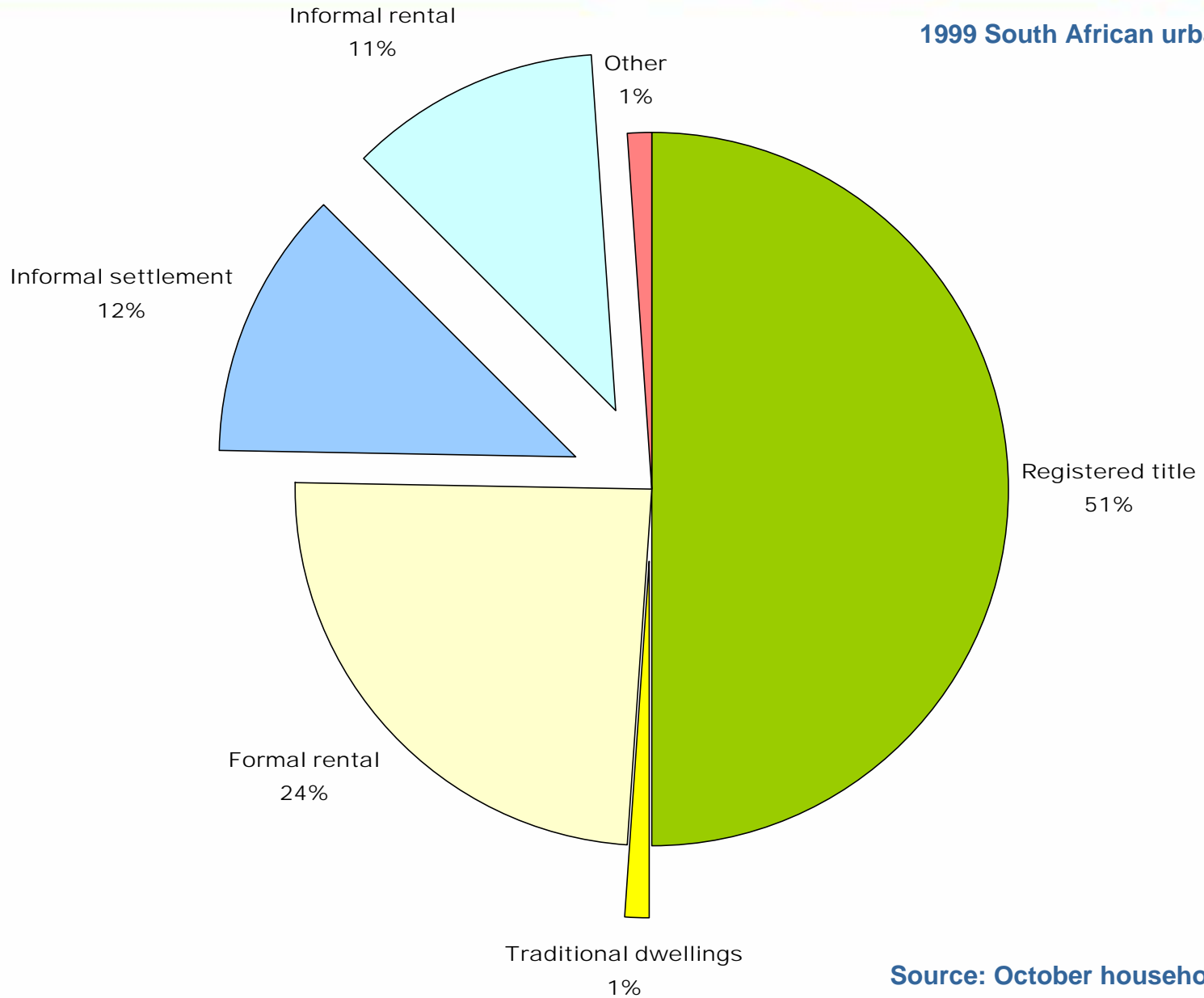
1999 South African urban households



# Failure

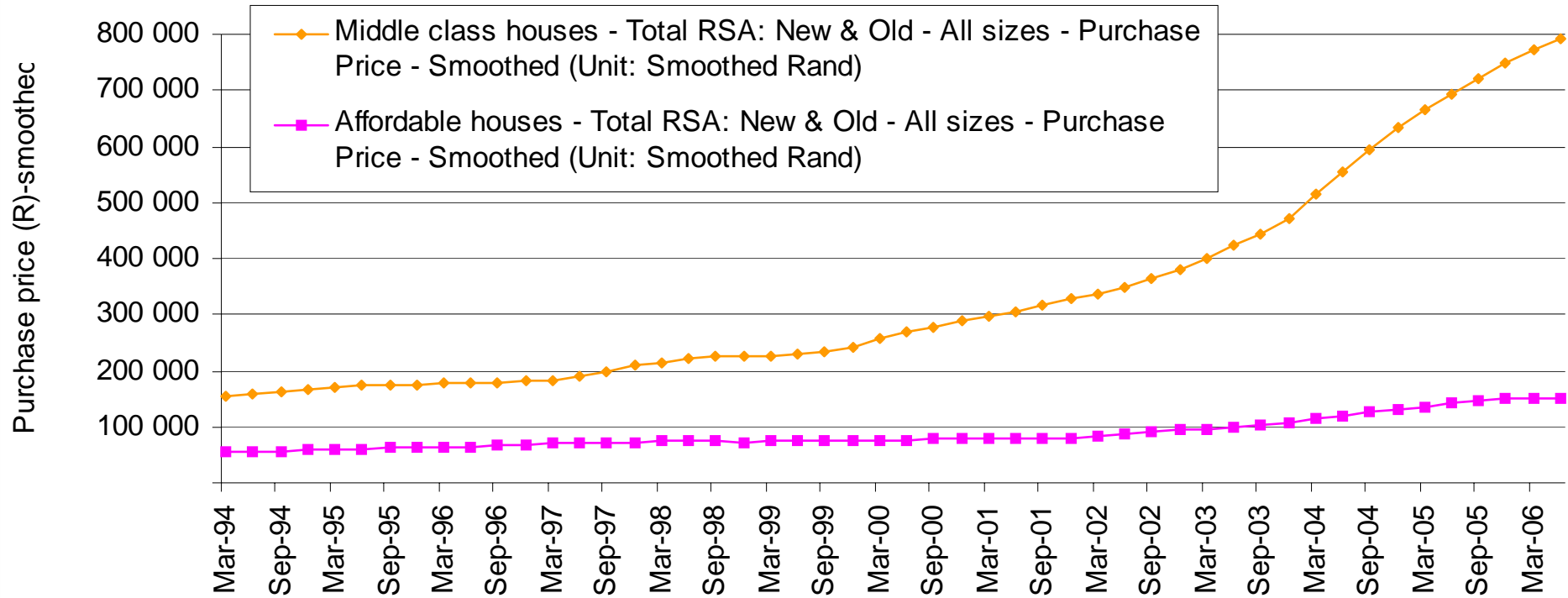


1999 South African urban households



Source: October household survey 1999

# Failure



# Failure



- complex and confused regulatory environment favours existing and sophisticated land owners
- public officials not capacitated to open up creative opportunities for the poor in land market
- township properties under-valued and ripe for picking by estate agents etc. – lack of information
- value capture by municipalities under-developed

# Motivation



Why should the poor get access?

- social justice
- poverty alleviation
- urban efficiency

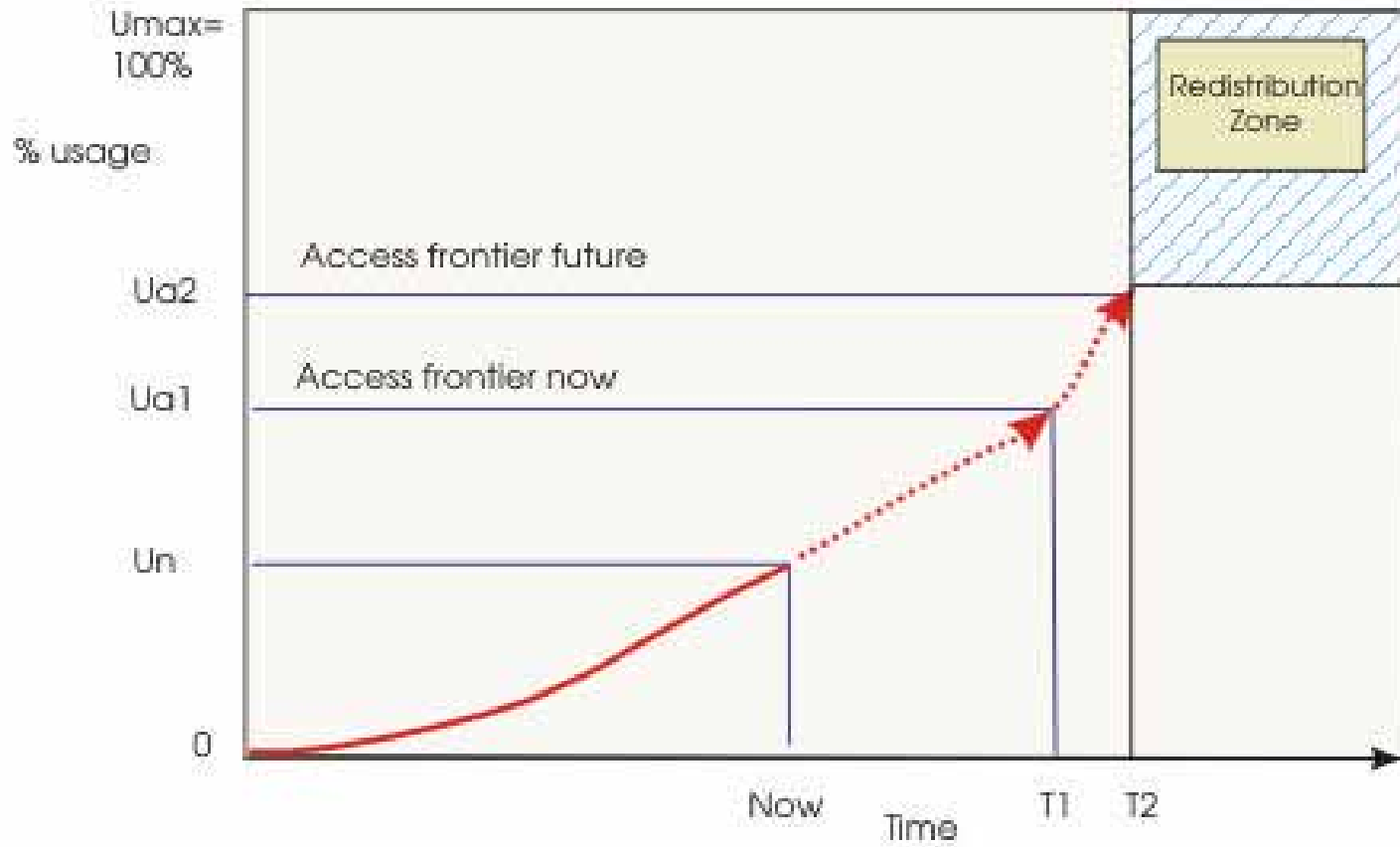
# Agenda



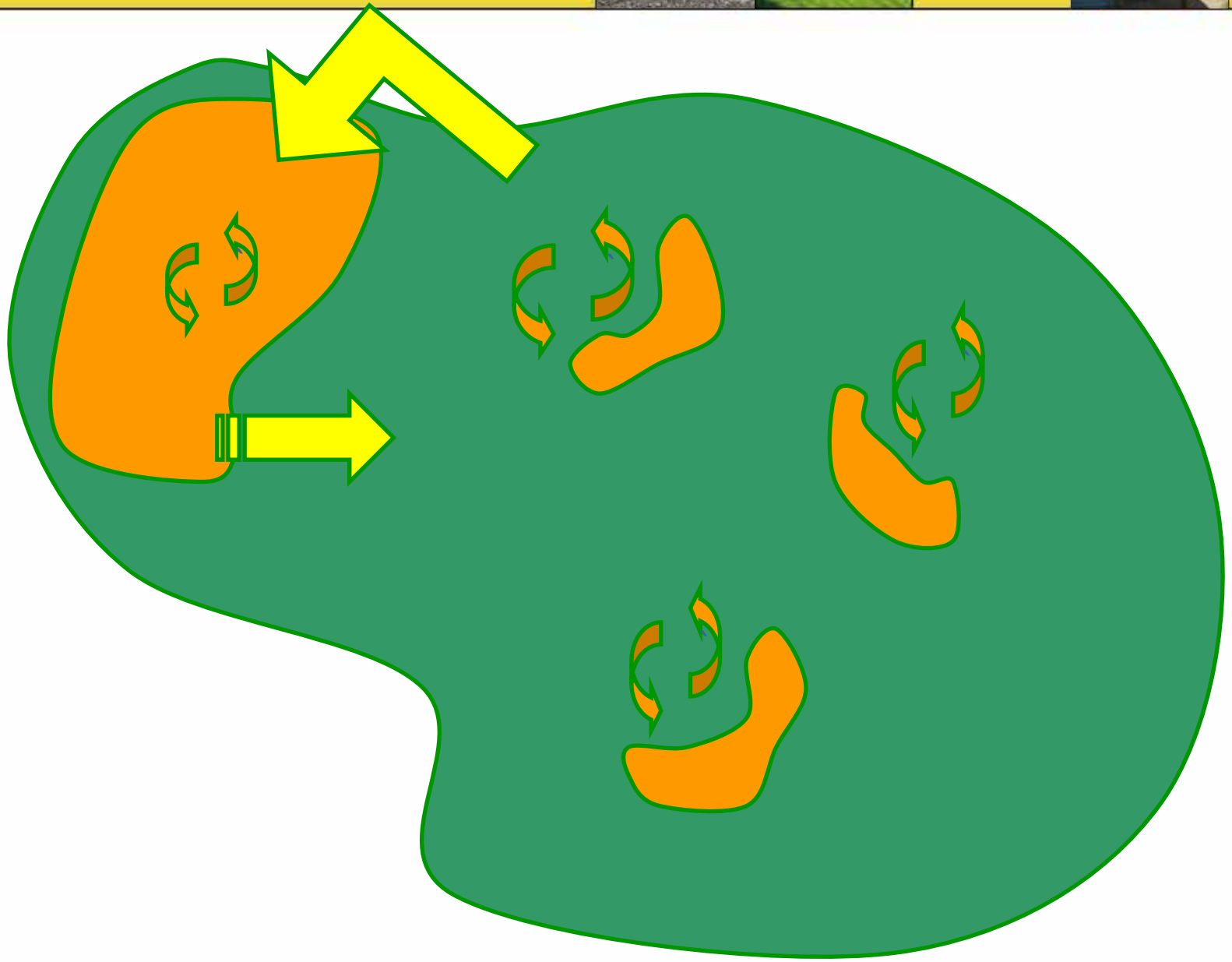
Making urban land markets work better for the poor requires three pronged approach:

1. work towards shared economic growth with real poverty alleviation to allow more people to afford to enter market
2. lower barriers to market by increasing efficiency, legibility, information, and lowered costs
3. retain state allocation for those beyond the access frontier, but use allocation for market incorporation where possible





# Action



# Change



- a greater awareness on the part of the **state** of the benefits of supporting a functional urban land market which the poor can access;
- a greater awareness on the part of the **private sector** of the economic (and social) imperative of bringing the poor into the city and promoting more efficient urban form;
- the stimulation of multiple places for engagement for **civil society** to assert their positions and demand their rights; and, very essentially
- the building of a more dependable **empirical base** for policies, strategies and actions

# Change



- convince the various parties that this agenda is crucial to successful urban economies and viable societies (using the new empirical base as evidence);
- investigate what a functional market should look like in the view of the urban actors, and through analysis of the sector;
- gather experience, best practice and generate creative ideas on how to move towards a more functional market by, in this case, broadening the access frontier for the poor;
- disseminate these models of how to achieve a better land market, and capacitate the actors where they may need new skills and capabilities to implement them.

# Conclusion



- Strong land surveying and registration infrastructure
- But confused regulatory context favours large corporate actors and well resourced individuals
- Poor are left behind
- Non-distorting interventions needed
- Support is needed:
  - to capacitate officials to negotiate with market players,
  - to reduce the costs and complexities of administrative systems,
  - to make market information available to potential buyers and sellers,
  - to extract value and disburse it responsibly,
  - to bring urban actors together around common actions,
  - to transfer best practices, and
  - to cleverly predict and monitor the impacts of interventions.



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