

How the poor access, hold and trade land

by Colin Marx and Lauren Royston, Urban LandMark

Between November 2006 and May 2007, Urban LandMark conducted an investigation into how the poor access, hold and trade land in different types of settlements in three metropolitan areas in South Africa: Cape Town, Ekurhuleni and eThekweni.

Acquiring land and housing in RDP and informal settlements is complex, involving a number of steps rather than a single transaction. The research investigated the different stages of transacting around land, identifying six steps (see Fig. 1). These steps are not fixed.

- Finding people or organisations to transact with in the chosen settlement who are interested and willing to engage in a transaction.
- Recognising others to transact with - for security of mind it is necessary to know that the other party is the legitimate owner of the rights that are being transferred.
- Calculating and valuing - Once the validity of the transaction has been established, the next step is to calculate the value of land or house and the rights to this.
- Contracting - a transaction involves coming to an agreement.
- Holding land - by holding any commodity, certain rights accrue to the holders that are often backed by the state or judiciary. However, specific rights accrue to holders, or occupiers, of land that influence the preceding and succeeding steps in the transaction process, for example access to services and an address.
- Terminating land contracts involves an assessment of the possibilities for moving on and the search for new buyers, and hence, starting the cycle again.

Three metropolitan areas were selected to make it possible to make some general claims about urban land markets in South Africa's largest cities and so that comparisons could be made across metropolitan areas. The types of settlements chosen were informal settlements, recently allocated Reconstruction and Development Programme (RDP) housing projects, backyard shacks, an area under a traditional authority, and an area of local council housing.

Case studies - RDP settlements

Delft (Cape Town) - People first moved to Delft in 1989 from different areas around Cape Town. Many came from informal settlements and backyard shacks. In the last five years, only 14% of households have sold their houses, at an average of R17 000 a house.

Kingsway (Ekurhuleni) - This RDP housing project has about 2500 residential plots. In the last five years, only 11% of households have sold their houses in the settlement, at an average cost of R15 000.

Old Dunbar (Durban) - People started erecting shacks in the Old Dunbar area of Cato Manor in 1993. Trading in RDP houses in this settlement is low, with only 8% of households exchanging houses in the last five years, at an average sale price of R5750.

RDP settlements

How people find opportunities to access land

People find opportunities to access land in RDP housing projects in a variety of ways. The first, and main way, relates to the local authorities and includes the councillor and municipal officials. The second is family and friendship networks. The third way is through community meetings and committee members who provide assistance and information. Despite the official nature of the RDP housing allocation process, family members and friends are crucial in helping people find out about different locations. For people living in informal settlements, the local authority is central for finding out about the possibilities of formal housing.

How people make sure that land access is valid

Registration and documentation of land rights with the municipality have far-reaching effects in establishing the trustworthiness of land access in RDP housing projects. The role of the state extends beyond the immediate allocation of land and housing in RDP housing projects, for instance in the registration of informal settlement residents. This registration creates an expectation, sometimes realised, of future allocation of a RDP dwelling.

How people calculate the financial amount to be exchanged in transactions

The idea that it is acceptable to make a profit when selling a property is not a given. Responses from people in the case studies were mixed. However, it was considered fair to make a profit in an RDP property sale if a dwelling had been extended or improved, possibly because the additional investment

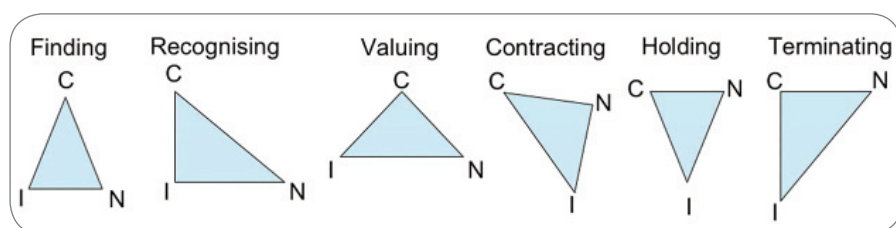


Fig. 1: The steps in acquiring land.

justifies a return. Social relations between the transacting parties are more likely to inform how the contract is put together, and the criteria used for calculating the value are based on perceptions of the dwelling being of a "decent" size and quality. About 32% of respondents felt that it was unfair to make a profit on land originally obtained free.

How people make agreements

Only 36,8% of the respondents in the RDP housing projects refer to title deeds as their means of securing tenure. Of this figure, 25,4% of respondents were given a title deed and 11,4% indicated that a title deed was coming. For many people, therefore, the title deed was not perceived as being important for making agreements.

The acceptance of written evidence is high at 33,4%, including receipts, documents or letters. Public witnessing of transactions is an important form of proving ownership. The relatively high number of responses that mentioned "verbal agreements" and transactions being "witnessed by councillors" suggests that off-register transactions take place.

How people resolve disputes

When people need to resolve disputes about their claim to the land and dwelling in RDP settlements, most respondents say they would turn to councillors and municipal officials. Neighbours emerge as the next most significant group of people that respondents would approach to resolve disputes.

How long it takes to access land

The average time between when a respondent first heard about the option to access land in a RDP housing project and the time they moved in is 78 days. This excludes the amount of time a person may have been on a waiting list.

The financial costs of accessing land and investing

The average financial cost to access land in a RDP housing project amounted to R1636. The financial costs were calculated from when a respondent first heard about the option to when they moved in, and included any amount they had invested

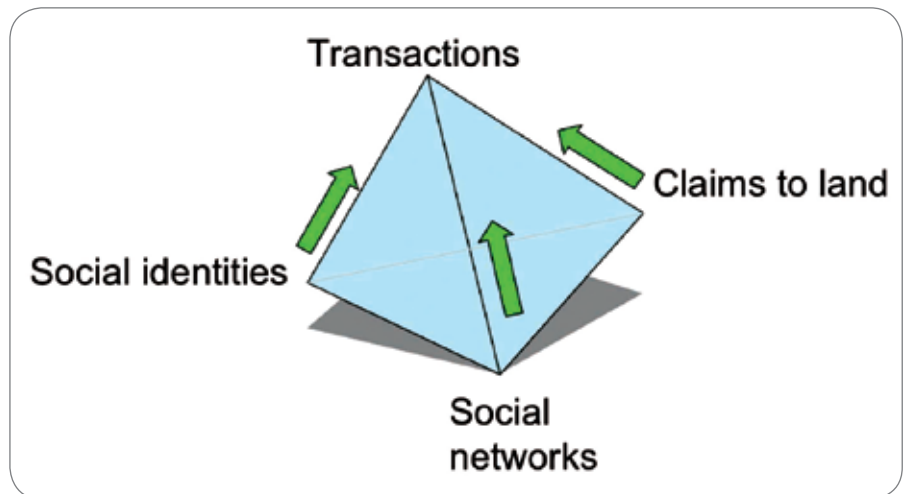


Fig.2: The transaction pyramid

in improvements to strengthen their rights. Accessing land in an RDP housing project is far from free. Costs include transport and people that had to be paid, but exclude the financial cost of people's time.

Recent property transactions of residents

Responses indicate that people living in RDP houses at present had engaged in relatively few property transactions in the previous five years. Median prices in the settlements ranged from R5750 in Old Dunbar, to R15 000 in Kingsway and R17 000 in Delft. Six percent of respondents indicated that they had traded land in the preceding five year period.

Sixty percent of the households would not sell their property but would rather put a family member in their place, although it is possible that sales could take place within families. About 20% of households would be prepared to sell, and a much lower percentage would be prepared to rent out their dwelling. Questions about the circumstances under which people would be prepared to move demonstrated that most households (53,1%) would not be prepared to move at all.

Case studies - informal settlements

Nkanini (Cape Town) - This informal settlement lies next to Khayelitsha and people started settling there in October 2003. Since then almost 16% of households have traded their shack houses for an average price of R1350.

Somalia (Ekurhuleni) - The land is privately owned and was part of a farm when people started settling there in 1989. The combination of Somalia being both close to work opportunities and town has made it an attractive place to settle. In the last five years, an impressive 38% of households have traded shacks at an average price of only R50.

Blackburn Village (Durban) - It was originally established by Indian people about 20 years ago, according to people living there today. The settlement is now home to about 4500 people, or 900 households, and is a mix of African and Indian residents. In the last five years, 24% of households have traded shacks in the area at an average price of R590.

Informal settlements

How people find opportunities to access land

Family and friendship networks are important for finding people in informal settlements who are willing to transact, at 30,6% and 31,9% respectively. Being able to tap into social networks of "people living around" (16,3%) is also an important way of finding available land.

How people make sure that land access will be valid

Just over 40% of respondents indicated that even though they did not have any means of assuring that land access would be valid, they still took a chance claiming land in informal settlements. This high rate suggests that people feel it is worth taking a chance in this risky and precarious undertaking. Commonly

agreed systems, such as those put in place by local committees, are the most important means of checking. Given that family and friends are frequently the way people hear about different places, it is not surprising that these networks also come into play when gaining assurance about the legitimacy of the claims of the person with whom they intend to contract. Opportunity, spurred by a social network, stands out as the combination that makes moving into an informal settlement possible.

How people calculate the amount to be exchanged in transactions

In comparison with the responses from household heads in RDP settlements, it is less clear when it is considered acceptable to make a profit out of somebody wanting to stay in an informal settlement.

How people make agreements

Most households in the informal settlement case studies relied on written documents to make agreements. About one in five households either made the agreement verbally or had no agreement. In 5,5% of the cases, a councillor witnessed the agreement.

How people resolve disputes

Respondents turn first to neighbours and the previous owner to resolve disputes about their claims.

How long it takes people to access land

The average time between when a respondent first heard about the option to access land in an informal settlement and the time they moved in is 69 days. Although this appears similar to the time involved in accessing an RDP dwelling, it cannot be readily compared as the time spent on a waiting list was not accounted for.

The financial costs of accessing land and investing

The average figure for transacting in informal settlements was R1351. The financial cost was calculated from when a respondent first heard about the option to the time they moved in, and includes any amount invested in improvements to strengthen their rights. Costs include transport and people that had to be paid, but exclude the financial cost of people's time. Accessing land in an informal settlement is far from free.

On average, respondents in the informal settlement case studies spent R157 on finding the opportunity to access their land and another R38 on making sure that the transaction was valid. The average investment that households have made on their dwellings is R1155. When this is averaged over the number of years that the respondents in informal settlements have been in possession of the land and dwellings (just under six years), this does not amount to a large amount per year.

However, in relation to the investment by households in RDP settlements, it could be argued that it is greater in the sense that the household heads in informal settlements do not start with a dwelling or access to services.

Recent property transactions of residents

People living in the informal settlements at present engaged in significantly more property transactions in the preceding five years - 36% of the respondents indicated that they had traded land in the preceding five-year period. The prices paid for a place in the informal settlements in the case studies were highly variable across the different metropolitan areas, with median prices ranging from R50 in Somalia to R590 in Blackburn and R1350 in Nkanini.

Most of the informal settlement respondents would sell their claim to rights to their land should they have to move. A smaller but significant group would put a family member on the land. Just over 20% indicated that their shack would be demolished and the land cleared if they moved. RDP housing is perceived as the way out of informal settlements. Most household heads in informal settlements indicated that their reason for moving out of the informal settlement would be because the government had provided a house and land.

Findings

Land markets operate in poorer parts of the three metropolitan areas

Contrary to conventional wisdom, land markets are not absent in the poorer parts of our cities. The poor are accessing, holding and trading land in a variety of ways. Seeing these transactions as a process, rather than a single step, helps understand the

complexity of these arrangements. Land markets in the settlement areas in the case studies contradict the view that there is only one type of urban land market, which people associate with the more formal areas of the city or with price.

One of the drawbacks of assuming that there is only one type of urban land market is that this tends to dismiss other ways of transacting around land as dysfunctional, thin or defective, or quite simply absent. Without recognising different land markets, we run the risk of a narrow range of policy interventions, which are likely to be associated with a single urban land market. These interventions are unlikely to work for the poor.

Informal settlements play a critical role in urban land access

Informal settlements occupy an important place in the urban land market, contributing to the way it works for the poor. Comparing RDP and informal settlement findings shows that RDP housing is perceived as the route out of informal settlements and that informal settlements are performing the function of "reception areas" for some households. Informal settlements exhibit elasticity in housing and land supply, which the state and private sector struggle to achieve. Eradicating informal settlements would undermine the operation of the urban land market in the short term unless a highly effective system of official land supply were put in place.

Social relations are dominant in these markets, although an economic rationale is present when people make decisions

Markets in the case study settlements do not conform to the rules of supply and demand, which are essentially mediated by price. Instead, social relations dominate. However, this should not be misconstrued as acting in ways that are economically irrational. For example, people make the judgment that it is worthwhile paying the transaction and sale costs of living in a shack, despite the risks associated with these undertakings, and they see this as strengthening their claim on RDP housing.

The role and importance of social networks emerges at different steps in the transaction process. Family and friendship networks are the most

important means through which people find others to transact with (with the exception of Kingsway where 44% of the respondents noted that the community meeting had been the most important way of finding out about their options).

Social networks are also important for checking the trustworthiness of other parties to the transactions, and the extent of this importance varies between the metropolitan areas and the case studies. When it comes to resolving disputes over land there tends to be a shift and local neighbourhood networks appear to be more important. Social networks might also begin to include the local councillor or municipal officials or, the local induna in tribal areas.

The failure to recognise social drivers typically results in conclusions that either no financially dominated market operates in poor areas or that it is "thin", "defective" or "dysfunctional" in some way. Accordingly, policy tends to be based on interventions that are framed within the context of financially dominated markets and focus 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 approach.

Financial logic is evident, although these markets are socially dominated

Poor people interact all the time with both the state and financially dominated markets over land. But they also engage in a socially dominated land market where the state and price are not the key drivers. The twin assumptions - that the market and the state are absent in poor, unregulated areas of South Africa's cities, or that it is possible to expand state and market involvement in land in a way where social relationships have no role in shaping access to and transactions of urban land - are both simplistic. Rejecting these assumptions has important implications for policy reform.

The most obvious way in which the financially dominated land market model is present is in the activities of the respondents themselves. There are clearly instances when people consider it appropriate to transact on the basis of price rather than social values, such as when households have improved their dwellings (10,5% - 96%).

Less obvious, but also significant, is that poor people are attempting to access an urban land market that is highly structured by major economic actors. The financially dominated land market model is a powerful basis for city planning and development. The result is that poor people generally land up in peripheral or marginal locations.

The place that many poor people access in the city is therefore already a result of the financially dominated land market model.

The state is present in socially dominated land markets

Contrary to the view that informality reflects the absence of the state, the

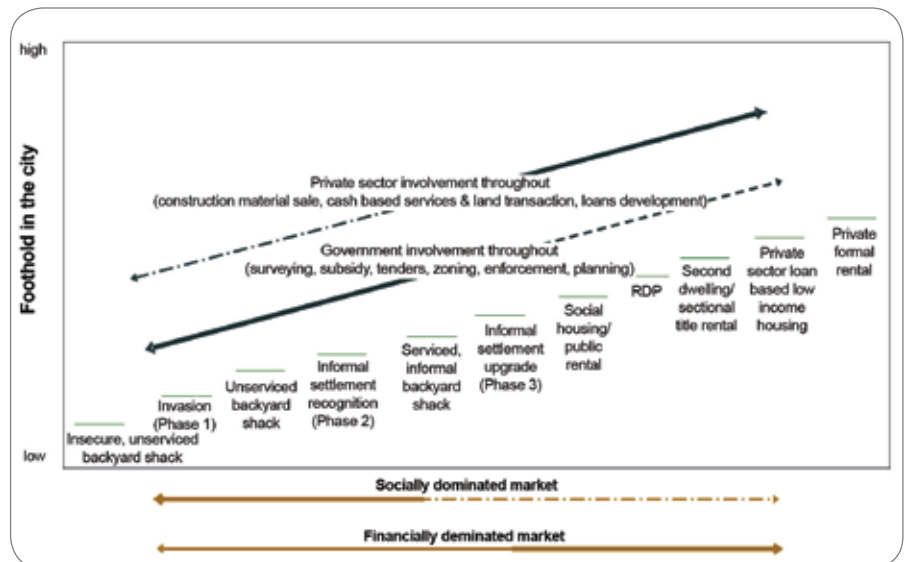


Fig. 3: Urban land market differentiation

research showed that as transactions are negotiated, they often mutate in response to state urban policy and practices. Once people are living in informal settlements, they are drawn into developments dictated and determined primarily by the state. Important, is that people also choose to do this as they see the possibility of future gain in the form of formal housing, for example.

The findings show that there are obvious ways in which the state is involved in poor and informal areas. For example, in registering shacks the state creates a new commodity which revolves around a right to future development. Overwhelmingly, "waiting too long for development" is perceived to weaken rights to land (66,7% - 85,2%). Another example, observed in eThekweni, is the state's plan to demolish shacks once people are moved to RDP housing projects, which tends to limit supply in those locations.

Most importantly the state 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. Typically, the peripheral places poor people end up in through their own meagre resources and overburdened social networks become the sites of RDP housing projects or shack upgrading. What some residents primarily value is the right to future development, rather than their present location in the city.

This stimulates land markets in these peripheral and marginal areas, the location of which has already been determined by the financially dominated land market model. However, the exact nature of this right at present is so vague, and determined so opaquely, that it can simultaneously mean nothing and everything to people in an informal settlement. The result is that the commodity created around a "right to future development" has variable value. Some people place great store in this right, while others may despair and move on.

These markets work for poor people in the short term but, with current policy interventions, have limitations in the long term

Socially dominated land markets work for poor people. They allow them to access the city and contribute to the urban economy, as evidenced by the

finding that most respondents obtain their income from salaries and wages. This access is relatively quick, easy and cheap, even though they are often peripheral or marginal, mainly determined by forces of the financially dominated land market.

State intervention in the places where poor people have accessed land themselves include registration, providing services or identification as the criteria for relocation to an RDP house and land allocation.

These actions determine a long-term future for people in locations that were initially only an access point to the city, and do not necessarily reflect longer term needs. The result is increasing peripheral or marginal land that has limited potential for household wealth accumulation and city revenue generation through, for example, residential property sales or property taxation.

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 must be accommodated in any land and housing plan for the city.

Simultaneously, poor people need a range of different claims to different land in the city, rather than the shack upgrading or peripheral RDP units conventionally on offer. Urban policies should not conflate the steps in the transaction process, and should not confirm the places that the poor *access* land with the locations in which they eventually *hold* land.

Little differentiation in perceived advantages of living in informal settlements, RDP housing projects and backyard shacks limits property growth

The findings show that there are few qualitative differences between informal settlements and RDP housing projects. Perceptions of an improvement in people's lives in RDP case studies were observed only in 53% of the surveyed households, and for 29% their situation remained the same. The RDP housing project case studies were not especially

valued for being close to employment opportunities (Old Dunbar being an exception). A smaller, but significant group valued "access to schools" in the RDP cases studies, and this indicates that investing in public infrastructure is one way for government to differentiate between informal settlements and RDP housing projects.

The inability of residents in both RDP housing projects and informal settlements to effectively access urban opportunities means beneficiaries in RDP housing projects are no better off, and therefore are unable to differentiate their dwelling and land from others and realise the difference in value. Much greater land market differentiation is required to reverse this tendency and enable greater mobility. This needs a more focused strategy around backyard shacks and other formal second dwellings, (including Wendy houses and domestic workers' quarters).

Paying closer attention to off-plot and non-erf-based investment is also critical. Investing in public amenities and infrastructure will also spur the land market, thereby creating more opportunities for poor people to generate wealth through land transactions in RDP houses in particular. A differentiated land market is represented graphically in Fig. 3.

The road to integration

There is a commonality in the notion of a dual economy and the notion of socially and financially dominated land markets. The problem with this is that it lends itself to polarisation, which in turn fails to accept the reality that there is one economy, and one land market, encompassing great variety and within which forces of inclusion and exclusion operate. These concepts tend to lend themselves to proposals for eradication (e.g. eradicating the second economy, eradicating informal settlements), instead of recognition. They risk dismissing the attempts that the poor make to secure land access as market "distortions" and state "failure". The alternative is integration, which recognises socially dominated markets (and the second economy) within a single economy and a single land market which fails to adequately accommodate the poor.

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Contact Lauren Royston, Urban Land Mark, Tel 011 487-2063, lauren@devworks.co.za ©