

## *Understanding the housing ladder: How and where poor urban migrants join the middle class*

'I was raised in the urban shack area at Sigundu F close to Mabopane, but now I'm staying in a formal township. I came here in 1999 and bought a stand with a three-roomed shack. It cost me R 10 000, and I took that money from my savings account. If I decided to sell my present house, I would want about R 150 000 in cash. In 2007 I built this six-roomed house plus a double garage, the house is built from cement bricks with plastered walls and is roofed with corrugated iron sheets. It cost me about R 60 000, and I used the money I had saved from my business income over the years. Workers from this area did my building work, they're low-priced. It took two months for my house to be finished. My commutation always costs me R 8 per day, and my net household income is about R 3000 per month.'

- *Informal business operator, Soshanguve, 'Block 18'*

### Introduction

Perhaps the key theme of the National Development Plan is the call for engaged citizens, who will stand up and take ownership of the development process so that the state need not confront the task of overthrowing the legacy of apartheid alone. The Minister in the Presidency for Planning, Trevor Manuel (2012, see also NDP 2012), has highlighted the central importance of correct spatial location for human settlements for efficient working of the economy and reduction of unemployment. Noting that improper location of human settlements is 'trapping and marginalising' the poor, he calls for a paradigm shift in planning, so as to transform city spatial form in South Africa.

This policy brief from the StepSA (Spatial and Temporal Evidence for Planning in South Africa) multi-year research enterprise addresses what urbanizing poor households in the metro shack settlements seem to be doing to overcome marginalization and enter the middle class through their own efforts, working from localities in the spatial zone of the urban periphery. It is suggested that (i) this rising tide of informal housing provision is one of the aspects of informality that needs to be taken directly into account in spatial planning against the housing backlog at local government level, and (ii) not all aspects of the full picture for housing demand are yet fully understood, especially in regard to human experience of urban space (cf Huchzermeyer 2013). Current views may sell citizen engagement short.

The recent qualitative study carried out by the StepSA research team at HSRC on behalf of the Financial and Fiscal Commission<sup>1</sup> in Gauteng, Mpumalanga and Limpopo (Cross & Ngandu 2014 forthcoming) suggests that there are

<sup>1</sup> This policy brief is based primarily on the findings of the HSRC research project *Harnessing Informality into Informal Settlements Delivery: Aligning Informal Finance with Subsidy Provision*, as commissioned and sponsored by Financial and Fiscal Commission. The kind permission of FFC as the research sponsors for us to make use of the qualitative research results for this briefing document is much appreciated and



likely to be at least two possible routes out of exclusion and into participation in the developed economy for the urbanizing poor:

- 1) Through access to regular paid work in the metro labour market<sup>2</sup>
- 2) By the informal housing ladder being used by owner-builders on the metro peripheries.

Results suggest that the informal owner-builder housing route to economic advancement may often be independent of either access to formal work or direct provision of houses from the government subsidy housing programme. Instead, it takes off from the broader impact of the state's programme of informal settlements upgrading, and appears not to be confined to households with formally employed members.

The city edge appears to be a highly dynamic housing environment, where land for house building that is readily available to informal owner-builders is changing the picture for access to decent shelter. At the same time, it may be changing the economic dynamics for poor migrants entering the city from the rural sector and aspiring to join the middle class. Key factors here appear to include:

- The emergence of a strong semi-formal but legally registered housing market which does not appear to involve the national Deeds Registry;
- The effectiveness of municipal registration of housing transfers in conveying effective tenure security;
- The striking capacity of poor urban households for savings mobilization;
- The rapid spread of unsecured loans from the formal financial sector, which allows many poor households to evade the need to obtain formal mortgage finance;
- The catalytic role of informal settlements upgrading in starting a developmental process of housing self-upgrade and voluntary formalization;
- The spatial role of the metro urban periphery in making land available into this owner-driven semi-formal process.

## Research methods

An adapted anthropological methodology was used for the qualitative study, with 60 in-depth interviews, in four selected study communities with 15 interviews in each. The communities selected included both formal and informal human settlements, in rural and urban areas, with both informal site allocation and formalised site and service plans. Both in-depth interviews with community members and focus groups were conducted. Areas selected included:

**'Swedenville'**: an urban informal settlement linked to Mamelodi Township west of Pretoria, with entirely self-built housing and under the informal leadership of a community committee; six interviews were also obtained at **'Phelela'**, a shack area to be upgraded near Swedenville.

**'Block 18'**: an urban formalized and upgraded shack settlement now part of the Soshanguve township northeast of Pretoria, with both subsidy and self-build housing under a formal local government dispensation;

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gratefully acknowledged. The main quantitative inquiry in the *Harnessing Informality* project is not reported here, but is based on the project survey dataset from the HSRC component of StepSA, and was carried out by the StepSA research team at HSRC.

<sup>2</sup> See StepSA Policy Brief No 2, *Light from Diepsloot: youth unemployment dynamics on the periphery*.



**'Sesifikile':** a dense rural settlement at Jane Furse in Limpopo, located more than one hour from the nearest formal settlement, with informal self-build housing, and having both rural Tribal Authority institutions and municipal local government;

**'Newhouse City':** a rural elite township in Bushbuck Ridge in Mpumalanga, with both self-build and subsidy housing, with semi-rural institutions as well as municipal local government.

Interpretation has been comparative and qualitative. No claims of statistical representivity apply with this kind of qualitative approach. However, all four of these sample communities were selected as dense areas drawing in-migration. As such, all of them reported *fast-rising housing values, registration of property transfers* with the municipal authority, significant *household investment in self-build housing* as the key household asset, and the transformation of the area from informal semi-rural status to a *self-upgraded condition of self-formalization*.

## How the informal ladder works

Based on qualitative results from Financial and Fiscal Commission (FFC) and StepSA, in outline format the informal housing ladder seems to take shape according to a common sequence:

1. Initial informal settlement by poor in-migrant occupiers
2. Initial low-priced informal housing market, unit prices increasing from R 50-R300 to R15 000-R20 000 as the community land market develops
3. Upgrading, infrastructure delivery and tenure security following agreement with local government
4. Registration of properties and rapid semi-formal land market development
5. Emergence of investment-quality owner-built housing and mobilization of bank lending
6. High-income in-migration dominating the new semi-formal community housing market, unit prices reaching R100 000-R200 000+
7. Formal 'up-market' township conditions, with urban citizenship participation and middle-class income level
8. Rising housing values cut off poverty-level in-migration, resulting in a need for new informal areas to start the sequence again from the bottom.

For the settlement as a whole, and also for the unknown share of its original shack population who remain in place as housing values increase, the informal – or semi-formal – housing ladder appears to offer a genuine, accessible way upward into middle class standing, by transforming a shack settlement with housing replacement values averaging perhaps R 5 000-6 000 into one where housing sale values reportedly fall between R 100 000 and R 200 000 or more. For most residents who remain in place, the subsidy income band is left behind as families enter the affordable housing bracket. At this stage, areas are described as 'up-market' and shack housing is no longer considered acceptable by local residents.



## Distribution of housing

Findings from DST's StepSA project show informal self-built housing of decent quality occupying a large sector of the de facto housing market, and spreading fast. At a modest replacement value per unit of R 10-25 000, extending to well above R 50 000 in urban areas, the total estimated value of informal housing rated RDP-quality or better was tentatively estimated to reach R 12 billion for Gauteng, northern Mpumalanga and Sekhukhune at the time of survey.

Table 1 shows the distribution of housing typologies by province as reported on StepSA's national survey. Both shack housing and government-built housing are concentrated in the metro provinces of Gauteng and Western Cape, but good-quality owner-built housing as an emerging category is most common in the largely rural provinces clustered around the Gauteng metro core, in North West, Free State, Mpumalanga and Limpopo, where land is available to the informal market and good owner-built housing makes up a large part of the total. In Table 2, the overall national frequency of communities characterised by self-upgrading housing development reaches 13 percent of all surveyed housing.

**Table1:** Type of dwelling unit by province: N cases, row percentages

	Formal house built by state or big firm	RDP house or subsidy house not in backyard	Formal house built by small local contractor	Owner-built house, formal-type, good quality, 2-5 rooms	Owner-built house, formal-type, good quality, 6-10 rooms	Low-quality owner-built house - better than shack	Formal backyard incl RDP house in backyard	Informal backyard structure / backyard shack	Room in house or garage	Shack rented by resident	Shack owned/bought by resident	Shack built and owned by resident	TOTAL
WESTERN CAPE	51	60	5	0	1	1	3	10	2	7	12	53	222
	23.0%	27.0%	2.3%	0.0%	.5%	.5%	1.4%	4.5%	.9%	3.2%	5.4%	23.9%	10.0%
EASTERN CAPE	187	143	31	88	32	358	2	9	100	3	19	34	1238
	15.1%	11.6%	2.5%	7.1%	2.6%	28.9%	.2%	.7%	8.1%	.2%	1.5%	2.7%	10.0%
FREE STATE	125	76	13	43	32	14	1	6	15	27	6	15	446
	28.0%	17.0%	2.9%	9.6%	7.2%	3.1%	.2%	1.3%	3.4%	6.1%	1.3%	3.4%	10.0%
K Z N	105	163	21	113	46	322	14	55	11	9	15	65	1088
	9.7%	15.0%	1.9%	10.4%	4.2%	29.6%	1.3%	5.1%	1.0%	.8%	1.4%	6.0%	10.0%
NORTH WEST	60	49	3	38	35	102	0	0	7	3	19	26	440
	13.6%	11.1%	.7%	8.6%	8.0%	23.3%	0.0%	0.0%	1.6%	.7%	4.3%	5.9%	10.0%





	%	1%		%	%	2%	%		%				0.0%
GAUTENG	435	140	0	71	14	5	11	99	7	18	258	0	1092
	39.8%	12.8%	0.0%	6.5%	1.3%	.5%	1.0%	9.1%	.6%	1.6%	23.6%	0.0%	100%
MPUMALANGA	15	20	0	234	98	73	18	2	3	3	24	0	547
	2.7%	3.7%	0.0%	42.8%	17.9%	13.3%	3.3%	.4%	.5%	.5%	4.4%	0.0%	100%
LIMPOPO	45	48	12	298	161	109	3	13	34	0	8	1	812
	5.5%	5.9%	1.5%	36.7%	19.8%	13.4%	.4%	1.6%	4.2%	0.0%	1.0%	.1%	100%
NATIONAL TOTAL	1023	699	85	885	419	984	52	194	179	70	361	194	5885
	17.4%	11.9%	1.4%	15.0%	7.1%	16.7%	.9%	3.3%	3.0%	1.2%	6.1%	3.3%	100%

Source: StepSA/IPDM survey 2008-2010

Owner-estimated replacement value of housing appears in Table 3, showing the concentration of low-grade shack-quality housing in Gauteng's large population of poor in-migrants, alongside the frequency of units of all types valued at over R 50 000 reaching 23 percent nationally. As it has expanded over the last 10-15 years, this kind of asset accumulation has been self-funded by poor families. Housing in this bracket does not normally need to be replaced with subsidy housing: rather, it needs to be incentivized and supported with appropriate resources and financial mechanisms.

### Starting the self-upgrade cycle

The self-upgrading cycle starts once an informal area is occupied and settled and upgrading is negotiated with the municipality: subsidy housing and services are delivered in the area and property values start to climb, leading households to invest heavily in their housing. Households which either receive RDP housing or build their own on serviced stands may effectively quadruple the value of their self-build investment within a few years as the area assumes a new identity as an established township section. At this point, consumption standards have risen, and entry to the middle class – defined here as reaching the South African income average (World Bank 2013) – is taking place.

**Table 2:** Distribution of Settlement Types by Province

SETTLEMENT TYPE	WESTERN CAPE	EASTERN CAPE	KWAZULU NATAL	NORTH WEST	FREESTATE	GAUTENG	MPUMALANGA	LIMPOPO	TOTAL
OLD TRADITIONAL	-	42	30	29	5	-	*	26	20
NEW TRADITIONAL	-	3	1	1	-	-	-	2	1
INNER-RURAL VILLAGE	-	3	2	1	1	1	10	7	3
MID-RURAL VILLAGE	-	*	5	1	1	*	8	15	4
OUTER-RURAL VILLAGE	7	8	6	15	5	6	6	7	7



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SELF-DEVELOPMENT	-	-	-	*	1	*	2	2	1
<b>SELF-UPGRADE</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>8</b>	<b>17</b>	<b>7</b>	<b>49</b>	<b>20</b>	<b>12</b>
SHACKS, INNER CEN	-	1	-	-	-	1	1	*	1
SHACKS, OUTER CEN	-	*	1	1	1	3	*	-	1
SHACKS, INNER PERIPHERY	8	1	5	1	*	4	2	*	3
SHACKS, OUTER PERIPHERY	<b>14</b>	*	2	-	-	8	1	-	2
SHACKS, RURAL	*	-	*	-	*	2	-	*	*
<b>UPGRADED INFORMAL</b>	<b>14</b>	3	5	1	2	4	*	-	3
MIXED FORMAL/INFORMAL	*	1	3	2	2	-	-	1	1
<b>OLD TOWNSHIP</b>	<b>26</b>	<b>14</b>	<b>11</b>	<b>10</b>	<b>38</b>	<b>36</b>	<b>2</b>	<b>5</b>	<b>17</b>
NEW TOWNSHIP	*	*	*	*	1	2	*	*	1
BACKYARD UNITS	6	9	9	2	5	11	3	6	7
SUBSIDIZED, RDP	<b>17</b>	9	11	11	<b>15</b>	8	4	6	<b>9</b>
SUBSIDIZED, PHP	1	1	*	*	*	*	1	1	*
23 URBAN PRIVATE RENTAL	-	-	*	-	-	*	-	-	*
25 URBAN INFORMAL RENTAL	-	1	*	1	2	*	*	1	1
<b>TOTAL SAMPLE</b>	<b>221</b>	<b>1236</b>	<b>1089</b>	<b>441</b>	<b>446</b>	<b>1119</b>	<b>551</b>	<b>812</b>	<b>591</b> <b>5</b>

Source: StepSA/IPDM survey

## Baseline in-migration

Shack areas which either are upgraded or upgrade themselves into areas of self-described up-market property ownership appear from the available case material to form in the usual way for shack areas, by occupying unused and undefended land, usually under public ownership. The process is often described as land invasion, often spilling from the edges of existing townships.

'Myself, I am a former tenant in Extension 10 at Mamelodi. After I heard a rumour that a new settlement was about to open to accommodate people who were tenants, I was one of the first to erect a shack here. I came with my husband, but many of us were women, coming with our children to find a place of our own.'

The people involved may be backyard tenants, rural in-migrants or township youth unable to obtain housing of their own in their parent settlement: over time a large rural-born majority often emerges. The role of backyard tenancy has historically been large in generating a mobile population of mature families that moves into shack areas when they reach the stage of needing own permanent housing, and this population component of former backyard tenants is likely to increase.



**Table 3:** Estimated replacement value: Cost to build similar house N cases, row percentages

	No co st	R1 - R1 00	R1 01 - R6 00	R6 01 - R1 200	R1 201 - R2 500	total % R0- 2500	R2 501 - R8 000	R8 001 - R20 000	R20 001 -R50 000	R50 001 +	Don 't kno w	Total
W CAPE	13	0	2	15	12	W CP	50	60	40	23	6	221
	5.9 %	0.0 %	.9% %	6.8 %	5.4 %	19.0% %	22.6 %	27.1 %	18.1 %	10.4 %	2.7 %	100.0 %
E CAPE	92	1	44	47	62	E CP	150	226	199	270	145	1236
	7.4 %	.1% %	3.6 %	3.8 %	5.0 %	19.9% %	12.1 %	18.3 %	16.1 %	21.8 %	11.7 %	100.0 %
FREE STATE	25	0	4	16	31	FS	22	73	87	120	67	445
	5.6 %	0.0 %	.9% %	3.6 %	7.0 %	17.1% %	4.9 %	16.4 %	19.6 %	27.0 %	15.1 %	100.0 %
K Z N	43	0	9	45	122	K Z N	173	202	199	218	79	1090
	3.9 %	0.0 %	.8% %	4.1 %	11.2 %	20.1% %	15.9 %	18.5 %	18.3 %	20.0 %	7.2 %	100.0 %
NORTH WEST	22	0	7	10	33	N W	52	114	72	127	4	441
	5.0 %	0.0 %	1.6 %	2.3 %	7.5 %	16.3% %	11.8 %	25.9 %	16.3 %	28.8 %	.9% %	100.0 %
GAUTENG	89	7	46	51	118	GAUT NG	118	106	156	376	0	1067
	8.3 %	.7% %	4.3 %	4.8 %	11.1 %	29.1% %	11.1 %	9.9 %	14.6 %	35.2 %	0.0 %	100.0 %
MPUMLNG A	37	2	10	17	26	MP	77	171	147	53	0	540
	6.9 %	.4% %	1.9 %	3.1 %	4.8 %	17.0% %	14.3 %	31.7 %	27.2 %	9.8 %	0.0 %	100.0 %
LIMPOPO	64	1	9	19	32	LMPP	110	235	153	173	5	801
	8.0 %	.1% %	1.1 %	2.4 %	4.0 %	15.6% %	13.7 %	29.3 %	19.1 %	21.6 %	.6% %	100.0 %
<b>NATIONAL TOTAL</b>	385	11	131	220	436	<b>TOTAL</b>	752	118 7	105 3	136 0	306	5841
	6.6 %	.2% %	2.2 %	3.8 %	7.5 %	20.3% %	12.9 %	20.3 %	18.0 %	23.3 %	5.2 %	100.0 %

Source: StepSA/IPDM survey

## Self-upgrade dynamics

In terms of the dual in-migration and property investment process reflected in respondents' accounts, the initial RDP housing delivery acts as the area's developmental nucleus. Population appears to flow in rapidly during the upgrading delivery process, whether into subsidy housing or serviced stands, with the self-build phase for high-value housing gathering speed. As the area fills up, further shelter options are available only by buying either a built house or an empty stand from the owners. Prices for either stands or finished houses can rise very fast.

'I can say that a good stand by the road might go for R 15 000 in this township now. But if I wanted to move and decided to sell my present house, I would expect to get about R 170 000 for it. I have a six-roomed cement house, roofed with corrugated iron sheets.'

'Prices of land have been rising around here since title deeds were handed over to the owners of the houses, and especially since the arrival of foreigners who are targeting land in urban zones for business purposes. Now I would expect about R 90 000 for my five-roomed cement house roofed with corrugated iron sheets, this is an up-market township area. If someone wanted to buy a good stand by the main road, it could probably cost around R 30 000 now, just for the land.'



## Class structure

In-migration during this latter phase is restricted by the requirement to buy a property and pay rates. As a result, a higher-income stratum of entrants arrives as the area consolidates around the upgraded dispensation, merging into existing post-shack population. It looks as if the class structure of the area changes once the initial delivery phase is over and the area has reached a stage of attracting better-off households and employed professionals. Interviews suggest that a substantial share of the original population once housed in shacks is also likely to remain in the area as housing values rise and the new middle class develops. More clearly needs to be known about the constraints under which households which sell and leave the area as it upgrades have arrived at this decision.

## Financing the ladder

Use of mortgage finance was not reported in the areas represented in the study, but bank finance appeared very common in the more established areas, including Block 18 and Newhouse City, and to some extent Sesifikile. As housing values start to climb, construction costs for investment-quality units average around R40 000 and are mainly covered by savings mobilization with some use of inter-personal lending and local credit sources.

'I came here in 1998 with my late husband, and he already owned a stand with a shack, which we upgraded ourselves. It was my husband who built this house, and he did the work himself. I think he spent about R 40 000 for the materials, but he didn't tell me where he got the money from.'

'It cost me R 45 000 in 2004 to build this house. We used my husband's savings to do it, but I was the one who arranged and oversaw the building work.'

'I would want to build my house for about R 40 000, that could be borrowed from a stokvel or local savings group that lends out their money, because the formal banks only serve people who are employed. It wouldn't be difficult; interest charges for the stokvels are less than the banks charge. Many informal businesses in this area borrow money from local savings groups that lend out. After I lost my job, I personally took a loan for R 15 000 from a local savings group. That was in 2009 and I'm paying off that loan at R 300 per month. I can pay it since I have only the one loan, and I expect to finish paying in 2014.'

Respondent accounts indicate that the banks have been readily willing to handle the demand for housing loans on the lower rungs of the ladder, where informality merges into the formal property market, on an alternative track through the unsecured lending market. At the bottom of the ladder, tenant rentals income from backyard structures is readily available in areas with high in-migration and strong housing demand. Rental income aligns with social grants, often allowing resident households which have not gained a foothold in the labour market to stay in the area, improve their housing incrementally, keep children in school and benefit from a rising economic tide.

## Tenure security through local registry

No separate form of tenure securitisation appears as necessary. Once servicing and/or upgrading is in place, municipal local government is able to provide very effective tenure security by registering ownership and any subsequent transfers at the municipal offices, and providing documentation for the transactions.

In place of rejecting any registration as a threatening process, as has historically been common in urban shack settlements, respondents in all five areas expressed intense commitment to registering their properties with the municipality in order to obtain both ownership security and full urban citizenship, and also to immediately registering all subsequent transfers.





‘It’s very important to have the title to the house registered, because if you have bought the house the title deed would have to reflect the change of name, from the previous owner’s name to your name. This can only be done by the municipality. Oh yes, my house is registered at the municipal housing department.’

This kind of local-level registration process appears to be effective without apparent direct involvement of the municipality, the banks, the state, civil society, or the national registry system.

Incentivized by property ownership, rapid returns and the chance to claim citizenship rights, residents’ commitment to continuing compliance increases the chances that the semi-formal market will retain integrity, avoiding proliferation of unregistered claims. Social perceptions shift away from self-encapsulated isolated communities and informality to a legalized semi-formal dispensation in which residents explicitly claim taxpayer standing and expect to hold their municipalities to account.

## Distribution

It is not yet clear how often this type of informal/ semi-formal housing ladder develops in densifying settlements that are drawing in-migration. In the FFC study, two of the three areas studied on the metro periphery were sustaining rapid housing development with an evident rise in building standards and in average income levels, as were both of the rural settlements. The third metro-periphery settlement was located on land unsuitable for upgrading and had been fighting a municipal removals struggle. Without upgrading and service delivery or any agreement with the municipality, the demarcation and registration process could not start and housing tenure remained informal and precarious. Residents expressed intense frustration that after seven years in occupation they were not able to begin building investment-quality housing as had other settlements in the area.

## Spatial location

It appears less likely on the face of it that areas in the city core zones and the middle city that are occupied by poor communities provide the necessary conditions for rapid self-upgrade. Built-up areas rarely allow owner-builder activity on unoccupied land, so that land for settlement or upgrading needs to be acquired by the state or the city and immediately enters a bureaucratic development and allocation process. This kind of process involves waiting lists for sharply constrained land resources and may slow the emergence of a spontaneous fast-rising market moving off a low base.

The kinds of areas represented by Block 18, Sesifikile and Newhouse City appear as hot spots for self-upgrade activity and municipal title registration, drawing in-migration and rising fast up the income distribution toward full economic citizenship once services are in place. Many residents might not move closer to the city core zone even if the opportunity were readily available.

‘This is a good area for me, because I prefer the metro periphery area. I’m a business owner and this is where the business opportunities are located. To me, there’s no real difference between the market location near the Soshanguve train station and the Pretoria CBD markets.’

Swedenville along with other shack settlements is predominantly occupied by poor people who see clearly how the semi-formal housing ladder works, have carefully estimated what it will cost them, and are negotiating as quickly as they can to move onto it. Their stated expectation is of following the same path as Block 18 and similar settlements. It is not clear what fraction of the informal settlements in the metro outer zone fall into these categories: the spatial relations of density and development are complex (Biermann 2000, cited Harrison & Todes 2013). Upgraded or not,



other informal or previously informal areas may be colder spaces in relation to the semi-formal housing market, with slow migration and slow servicing, ineffective survey and registration if any, and consequent slow revaluation of housing, slow increases in housing prices, and relatively little investment in housing as an asset.

Either way, in terms of spatial planning it appears that this kind of upward housing ladder may function only on the outer metro periphery or in rural districts, where informal access to land prevails on a system fairly similar to what operates in rural Tribal Authority areas.

## Summary points

- Areas of high-value mixed formal and informal housing are developing in areas with high in-migration on the municipal periphery and in the rural sector
- The markets in formal subsidy housing and informal good-quality self-build housing appear to be interdependent: high-quality informal building follows from initial delivery of RDP-type units
- Registration at municipal offices offers a quick and easy route to formalisation of title for the informal market
- As market values rise progressively with more ambitious housing units, families able to remain in place form a significant capital asset and appear to be moving toward middle class standing
- Construction costs for investment-quality housing averaged R 40 000 and were within the reach of poor shack residents using savings mobilization and networks
- Finance for purchase prices up to R 200 000 or more is often provided by formal financial services, mainly as unsecured loans from the private banks to borrowers with formal employment
- This semi-formal market for owner-built housing may now be feeding into the gap market, which denotes the shortfall in formal housing stock valued at R250 000-R 600 000
- Rapid development with high-value self-build housing has so far been identified only on the metro periphery and in rural areas.

## Implications and conclusion

Housing has been the central anti-poverty intervention of the state since democratization, with long-continuing debates over how best to bring decent housing to the excluded poor. The qualitative results from FFC and StepSA hint that many of these debates may now be moving toward resolution – the force of the de facto private market is pulling in even very poor communities, for better and perhaps also for worse, depending on how the forces of class inequality play out on the ground. There may also be a price to be paid in terms of social atomization and reduced societal cohesion, leaving individual households on their own in the impersonal market-based urban economy, more exposed than before to economic shocks.

It appears that the necessary institutional and capital framework has emerged for engaged citizens to take ownership of their own housing delivery modalities: if so, institutional interventions needed from here on may be more narrowly targeted than has been the case in the past. To the extent that the housing ladder is starting to help the poor to climb into the middle class, it offers evidence of massive developmental payoffs on the national investment in the subsidy housing delivery programme.



Based on the initial upgrading intervention providing infrastructure delivery and registration capability, housing dynamics on the ground may be evolving so that asset formation through fixed investment in quality housing can frequently work even in an environment of high unemployment. When it does, many households now in shack-level housing or backyard units may pull themselves out of the poverty income bands and into the middle class through household capital formation.

The housing ladder route up the income distribution appears to be opening up in areas of high in-migration and spontaneous densification, on the edges of the urban developed zone and out into the rural sector where land is available informally at the required low prices. Though more work is necessary to show how this kind of housing-based poverty exit mechanism is distributed across the country and across settlement typologies, StepSA findings suggest it is common in the northern provinces, where housing has almost fully replaced livestock as the key household medium of investment and savings. As these areas develop and South Africa passes the tipping point of its urban transition, it appears that rural/urban perceived identity may be shifting toward a wide popular identification as urban citizens and participants in the developed economy.

In terms of rights on the ground, restrictive patriarchal procedures and structures have retreated though not vanished, and both women and men in urban and rural communities predominantly assert that their local housing market is gender-blind.

In terms of the balance of shacks and formal housing, demand is created for new entry areas for people arriving in the city from the rural sector. This demand may require either shack areas or site and service, in that either upgrading settlements or self-development areas may tend to see prices rising so rapidly they quickly price new rural migrants out of the market in the established settlements.

## Recommendations

1. In densifying areas where unused land can be accessed, owner-builder activity is rapidly putting good housing stock onto the ground at all price levels from R 30 000 to R 200 000+. Upgrading policy may need to incorporate informal owner-built housing into spatial planning for infrastructure delivery.
2. For upgrading, well-located land is likely to mean in practice land located in the urban zones where stands for building are quickly available to the poor and a housing market for owner-built units is operating. Future upgrading work may need to address the periphery as much as the CBD zones.
3. Informality is merging faster into the formal sphere than tenure securitisation work is progressing. Human settlements policy may need to make demarcation and municipal registration generally available, and at the same time avoid suppressing the emergence of new shack settlements on the urban periphery.
4. Unsecured lending is an easier and more accessible housing finance mechanism than formal mortgage, which has proved inaccessible due to red tape and procedural requirements. Delivery policy may need to further explore the link between unsecured lending from the formal banking sector and government mortgage guarantees.
5. To meet the backlog, human settlements delivery is likely to need:
  - a) A free-running, non-restrictive semi-formal housing market to leverage the benefits of informality as a fast and responsive mode of delivery;



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- b) A continuing appropriately targeted housing subsidy programme to support excluded citizens too poor to participate in this market by building their own housing.

Further research around establishing the point where the procedural formal market can merge effectively into the fluid delivery sphere of informality is also needed in order to more fully understand the informal housing ladder and its implications for human settlements policy.

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