Study on potential interventions in the small scale rental market

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Introduction

The importance and relevance of the rental market is increasingly being recognised in South Africa. However, it remains a poorly understood and under emphasised component of the country’s housing and human settlements response. Though rentals are found all over the world and are occupied by people from a range of sectors in society with varying levels of income, the rental market in South Africa enjoys very limited attention and recognition. Rentals in the higher income private market are considered the norm and a vital part of the housing industry, while rentals in lower income, informal or illegal areas have been an invisible aspect in South Africa’s housing response. Yet, it is impossible to ignore the reality any longer of this highly complex sector that is playing a critical role in South Africa’s burgeoning and growing economy and housing market.

As with all housing and shelter related issues in South Africa, the small scale private rental market is nuanced, complex and challenging and will require an approach that takes these aspects into consideration. This research aims to look at the potential opportunities in the rental market that can contribute towards the imperative to develop accessible, affordable and reliable shelter options. While not currently a formal component of government housing policy, the small scale rental market is one area where there is a large amount of potential for scaled up delivery of appropriate shelter, within the context of government’s current scope of housing and settlement delivery in poorer communities, particularly in cities and towns. This study mainly attempts to answer the question of whether or not government should intervene in a specific component of the small scale rental market (backyard rentals) as this is increasingly being identified as a key challenge for particularly the larger municipalities to respond to. In the absence of national policy and guidelines on how to respond to the reality of informal backyard accommodation, these municipalities have attempted to develop their own interventions. The study will reflect on these
interventions, the lessons and experiences and extrapolate relevant recommendations for national government on what its response could entail.

1. Background and motivation

South Africa’s current housing backlog - approx 2.4 million
Households in rentals – 2.4 million (21% informal)
Rental is becoming the “preferred” option both in formal and informal markets
Small scale rental market delivery at scale is on par with government’s provision of subsidised housing
Provides alternative shelter in a complex, nuanced and challenging context

2. Expanding our understanding of the rental market: Developing a national rental research agenda

The Research Directorate within the Department of Human Settlements understands that there is a range of rental types:
- a. Rental in informal settlements
- b. Inner city rentals
- c. Small scale rentals (informal)
- d. Social housing
- e. Community residential units
- f. Municipal rental stock
- g. Rent to own
- h. Higher end small scale rental

Proposed steps
Overarching framework that will inform a rental programme within DHS;
Development of individual research projects each focussing on the different rental typologies;
Partnerships with municipalities to implement pilots informed by research;
Development of national policy framework and strategies to address various types of rental in SA

This study aims to look at one component of the small scale rental market, namely backyard rentals, and will be one of the individual research projects on the different rental typologies.

3. Definition and scope for small scale rental research

Definition of small scale rental to be addressed
Rental in an informal settlement (undergoing process of regularisation, upgrade )
Renting an informal structure in a formal area
Renting a formal room in a formal area through both informal and formal arrangements
Inner city rental

Scope of study is to address the following:
Should government develop a formal response/intervention to backyards?
If so, what should this look like?
How will this tie in with the current human settlements response? How will the response/intervention be implemented and what are responsibilities of different spheres?

4. Current context

Despite the existence of numerous policies addressing rental, there is none focusing on informal small scale rentals. The State tends to focus on home ownership but, for many, rentals are not transitory or temporary – instead they are permanent/long term. Rental accommodation is considered relatively safe compared to shelter in informal settlements.

The reasons for the massive growth in this market are:
Some access to services
For some only option (incl. non qualifiers, foreign nationals etc)
Generally well located
Sense of tenure security and flexibility
Income for landlords

The challenges faced by tenants and landlords are:
Tenant-landlord relationships
Insufficient access to services and opportunities
Quality of dwelling not always up to standard
Invisibility of backyarders and other users of informal rental options
Factors influencing ability of landlords to formalise or capitalise on opportunities afforded by rental

5. Case studies

Four case studies have been selected: Gauteng and the Western Cape Provincial Governments; and the Cities of Cape Town and Johannesburg.

Gauteng Provincial Government
Introduced pilot programme in 2009 focusing on the upgrade of backyard shelters. Pilots raised a number of key challenges including shortage of skilled labour, shortage of land and space for upgrade, and insufficient beneficiary education. The most important challenge experienced was the displacement of tenants after upgrading. Upgrading did not address the issue of improved access to services. “Double” subsidy to landlords who used structure for their own purposes.

Western Cape Provincial Government
Proposed a provincial pilot backyadder programme. The focus was on ensuring that a percentage of backyarders was prioritised for new housing. This initiative drew from the Gauteng programme – subsidy to landlords for upgrade of existing backyard shelters. Emphasis on compliance in terms of minimum building norms and standards.
Included consultative process with backyards and emphasis on protection of tenants against displacement.
Following a legal review, the proposed pilot was not implemented due to cost, compliance issues and concerns that it might encounter the same challenges as Gauteng.

City of Cape Town

Proposed intervention strategy to respond to the issue of backyard accommodation connected to city rental stock.
Intention further to improve the conditions in which backyards live, access to health, safety and services and to introduce measures to protect tenants against arbitrary evictions.
Also focused on the need to recognise the informal rental market as existing alongside government interventions/responses to shelter.
Includes a survey of the current number of backyards and instituting measures to improve access to basic services including long term plans to upgrade bulk infrastructure.
Potential limitations: only focusing on city rental stock and the study only looks at backyards and not other forms of informal rental.

City of Johannesburg

Faced with increasing pressure to address the issue of backyards and other forms of informal rental, the city has drafted a document focusing on small scale landlordism.
The proposed strategy is to develop an approach to recognise the informal rental market and identify the needs of both landlords and tenants.
The intention is to create an enabling environment for backyard accommodation to grow – through the facilitation and mobilisation of finance.
Incentives for landlords to upgrade structures.
Potential limitations: risk of falling into same trap as Gauteng and, by only focusing on backyards, also possibility of missing opportunity to respond to various types of informal rentals.

6. Preliminary reflections from case studies

Understanding the demographics and motivations within the small scale rental market is extremely important;
Engagement with communities is essential;
More education and awareness raising is necessary (amongst tenants, landlords and policy makers);
Location and access remain critical factors affecting decisions about where people live;
Backyarders and others within the small scale rental market (particularly at the lower, informal end) feel ‘invisible’ and not adequately consulted;
Expanding waiting lists (for housing), without recognising and harnessing the potential of the rental market, is not sufficient;
Improved structures and access to services is critical and interventions to address this should be an important first step;
Government cannot always be an implementer and understanding its enabling or supportive role is important (eg. In terms of providing policy guidelines, regulation where necessary and developing instruments to support the small scale rental market, and engaging with lenders to provide financial support products);
Reviewing municipal by-laws is one way of attempting to create a more enabling
environment to support small scale landlords;
Bulk infrastructure investment and upgrading is another important intervention to support this market.

7. Expected outcomes

Partnership with metros and provinces to support and ‘regulate’ the small scale rental market.
Proposed rental pilot project with one metro to test an alternative response to supporting the small scale rental market.
Framework to inform small scale rental policy and potential national response.

Conclusion

This study is one step in a long term process aimed at improving our understanding and recognition of the rental market in South Africa. The study, together with a number of additional studies all focus on the various typologies of the rental market, will form part of an overall rental research agenda and framework currently being developed within the Research Directorate of the National Department of Human Settlements. It is envisaged that this research will over time inform a detailed and comprehensive human settlement response at National level that recognises and supports the rental market and maximises the opportunities for shelter that it presents.

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