



The impact of inclusionary housing on property prices in Cape Town

By student: Lauren Roode
Student number: RDXLAU003

SUBMITTED TO THE UNIVERSITY OF CAPE TOWN

In partial fulfilment of the requirements for the degree
MCom Economics specialising in Economic Development

Faculty of Commerce

School of Economics

UNIVERSITY OF CAPE TOWN

DATE OF SUBMISSION: 12 February 2023

SUPERVISOR: PROF. Anthony Leiman

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

Declaration

I, Lauren Roode hereby declare that the work on which this dissertation is based is my own original work (except where acknowledgements indicate otherwise) and that neither the whole work nor any part of it has been, is being, or is to be submitted for another degree in this or any other university.

This dissertation has been submitted to the Turnitin module (or equivalent similarity and originality checking software) and I confirm that my supervisor has seen my report and any concerns revealed by such have been resolved with my supervisor.

I have used the Harvard Cite Them Right 10 Edition convention for citation and referencing. Each significant contribution to, and quotation in, this essay from the work, or works, of other people has been acknowledged through citation and reference.

I have not allowed and will not allow anyone to copy my work with the intention of passing it off as his or her own work.

Signed:

Signed by candidate

Date: 12 February 2023

Contents

I. Introduction	1
Rationale and objectives.....	3
Research method.....	4
Research limitations	5
Dissertation structure	5
II. Literature on Inclusionary Housing	6
Inclusionary housing developments from around the world.....	6
Global house price determinants.....	12
Related price changes in neighbourhoods associated with affordable housing developments.....	14
Additional implications of inclusionary housing.....	18
Identified limitations and gaps in the literature	19
III. Contextual Overview.....	20
The importance of housing in South Africa.....	20
Policy overview and analysis.....	22
Ideas of inclusionary housing in South Africa and Cape Town	26
Conclusion	31
IV. Woodstock Case Study	33
A brief history of Woodstock	33
The state of the economy in Woodstock.....	37
Political environment in Woodstock.....	39
Social cohesion in Woodstock	41
Analysis of the property market.....	42
Lessons learned from the case study.....	50
V. Should there be Inclusionary Housing in Cape Town?	53
Next Steps: Thinking further about inclusionary housing	55
Limitations of the study	56
Bibliography.....	57

Appendix A: Ethical Approval.....	63
Appendix B: Linear Regression Results	64

Table of Figures, Graphs and Tables

Figure 1: Locating the Woodstock Study	33
Figure 2: Upper and Lower Woodstock with Industrial/Commercial Docks.....	35
Figure 3: Locating the Woodstock Study.....	35
Figure 4: Land Use in Salt River and Woodstock.....	49
Figure 5: Hout Bay High-Income and Low-Income Property	64
Graph 1: Economic Performance in Cape Town	38
Graph 2: Job Types in the Southern Region	39
Graph 3: Race Demographics in Woodstock	41
Graph 4: Median Deflated Property Prices in Woodstock in 2020 Prices	43
Graph 5: Selling Price for Freehold Property in Multiple Cape Town Suburbs	44
Graph 6: Market Stock in Woodstock.....	49
Graph 7: Changing Property Prices in Neighbourhoods around Woodstock	51
Table 1: International Cases of Inclusionary Housing.....	8
Table 2: Key Housing Policies and Plans in South Africa	23
Table 3: Household Spending in the Southern Region and Cape Town	45
Table 4: Annual Household Income and Rental Affordability	46
Table 5: Annual Household Income and Bond Affordability in Woodstock	47
Table 6: Advantages and Disadvantages of Inclusionary Housing.....	53
Table 7: Regression Output	65

I. Introduction

Section 26 of South Africa's constitution stipulates that: (1) Everyone has the right to have access to adequate housing, and (2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right (Constitutional Assembly, 1996). It is thus a key objective of the South African government to provide housing for its citizens, and to ensure that it is adequate, affordable, and dignified. Importantly, the term 'adequate' is not practically defined in the constitution, but in this dissertation refers to more than simply providing shelter, and goes in hand with other rights such as the right to public participation, equality, human dignity, just administrative action, freedom of expression, access to information, and access to justice' (Tissington, 2011).

With a growing population in the country, the task of providing housing is challenging, especially in densely populated cities. Additionally, the apartheid legacy has dictated the nature of spatial planning in the country, consequently, poorer households frequently reside in peripheral areas of major cities (Verster, 2009; Newton and Schuermans, 2013; Musvoto and Mooya, 2016; Klug, Rubin and Todes, 2018). A number of housing activists have argued that housing should be spatially just if it is to reverse the geographical segregation of the past; achieving spatial justice occurs when social/racial/economic mixes of residents are more geographically evenly spread across neighborhoods (Ndifuna Ukwazi, 2018b). This dissertation evaluates the use of inclusionary housing, which in principle mixes households from different backgrounds, as a method of providing adequate, and spatially just, affordable housing in Cape Town. It shows that while inclusionary housing developments may be unable to address the housing crisis in Cape Town, in suburbs where it is feasible, it can foster social cohesion and spatially just transformation. One potential issue, however, is that inclusionary housing policies that introduce low-income housing within the boundaries of high-income suburbs, may lead to rapid declines in property values. This dissertation investigates the potential risks and rewards the policy could bring were it applied in Cape Town.

Conceptually, inclusionary housing is not a new phenomenon, as it features in governmental housing policy throughout the world. The principle behind inclusionary housing developments is that it provides affordable residential units (flats/apartments) for low-income families, placing them in close proximity to middle- and upper-income earning households (SAPOA, 2018).

¹ The meaning behind the term adequate housing is defined in more detail in the sections that follow.

Additionally, the physical differences in units should be unidentifiable to outsiders passing the development, so that the level of income of each household cannot be discerned (SAPOA, 2018).

In applying this to Cape Town, it must be noted that most households live in free standing homes, which may make it difficult to develop inclusionary housing in this way.

In South Africa, conversation about this type of housing development has only recently reached the government. This type of residential development is a highly contested topic within the government and urban planning settings, especially given the limited budget government has available to provide housing (SAPOA, 2018). Two relevant questions are whether inclusionary housing is likely to hinder attempts to solve the housing problem, and whether it can address the paucity of opportunities facing low-income, previously disadvantaged communities (SAPOA, 2018:4).

South African suburbs are largely racially homogeneous, especially in Cape Town, with high-income White suburbs existing separately from lower-income Black and Coloured neighbourhoods. These spatial divisions are the legacy of apartheid-era policies such as the Group Areas Act of 1950, which pushed low-income, Black, and Coloured households to the periphery of cities and other, more distant, areas of economic opportunity. As a result, many in these groups remain excluded from access to places of work, services, and amenities. The South African Property Owners Association (SAPOA) argues that inclusionary housing could foster social cohesion as “an egalitarian instrument to stimulate upward mobility for previously disadvantaged communities” (SAPOA, 2018:4), and redress the spatial injustice experienced in the country.

This dissertation investigates the potential for inclusionary housing in Cape Town by examining its advantages and disadvantages. The international literature is briefly surveyed, the Cape Town context is described, and the viability of the policy connected to the needs and wants of the city’s residents and developers is analysed. With Cape Town’s complex spatial and locational character, many neighbourhoods remain homogeneous by race, income, and occupation. There are, however, a few neighbourhoods that have transcended this legacy. Areas such as Woodstock in Cape Town have historically housed families from all walks of life, becoming home to persons of diverse cultures, races, and income levels. Looking at Woodstock as a ‘historically inclusive neighbourhood’, this dissertation deepens the analysis of the advantages and disadvantages of inclusionary housing. Tracking the economic, political, and social changes in the suburb highlights the potential issues that might arise were Cape Town to adopt more inclusionary housing principles.

Rationale and objectives

Policymakers are increasingly considering the integration of low-income households into neighborhoods characterized by economic and social advantage (Nguyen, 2005). In 2019, the city of Johannesburg established a policy mandating that all new development of high-rise apartment blocks in the city centre offer a portion of affordable housing to locals with incomes below a certain threshold (City of Johannesburg, 2019). This is an inclusionary housing policy as it requires developers to create living space for low-income households among middle- and upper-income earners. The questions that arise are, whether the housing policy in Johannesburg will successfully provide affordable housing and transform society, and if the principle behind this policy can be replicated elsewhere, like Cape Town. Importantly, in its mix of new accommodation under construction, Cape Town has a smaller proportion of high-rise apartment blocks than in Johannesburg.

As the South African government planning departments consider inclusionary housing principles, it is important that Cape Town's policymakers follow suit. The plausible effects of inclusionary housing development in Cape Town is therefore an important and significant research area to investigate.

Pursuing inclusionary housing may have a variety of positive and negative effects on society and the economy. This dissertation aims to identify these effects, drawing lessons from its economic, political, and social impacts in Woodstock. The economic impact is seen through changing housing prices, the political impacts reflect responses from government and local planning authorities, and the social impact concerns the needs and wants of the local population. Understanding the consequences of inclusionary housing broadly, and in Woodstock in particular, provides insight into the future feasibility of such a housing scheme in the city.

The bulk of research on inclusionary housing sits within a town-planning framework. There is a potential gap in the literature for an economic conceptualization of the problem and potential solutions. Investigating this topic in a socio-economic sense would add to the literature and provide a broader frame of reference for policymakers. The current urban planning framework and policy perpetuates urban sprawl but also a lack of integration between households with different incomes (Klug *et al.*, 2013). Understanding inclusionary housing from a socio-economic standpoint could benefit researchers and policymakers who need to make housing decisions that accord with the requirement for adequate and spatially just housing to transform cities.

An important practical question regarding inclusionary housing is whether it promotes housing affordability in actuality (Hollingshead, 2015). Put differently, is inclusionary housing economically

rational? Can low-cost properties imposed in 'up-market' areas be freely tradable and yet continue to benefit the poor in perpetuity? If not, how should they be regulated to ensure the long-term success of the policy?

Research method

This dissertation uses qualitative mechanisms and tools, including in-person interviews with industry experts, desktop research, and basic descriptive statistics, to provide a context for the housing situation in Cape Town, and to frame a narrative on inclusionary housing. Interviews were conducted with interested and relevant experts in the field, from three organisations: Ndifuna Ukwazi, Communicare, and Urban-Econ Development Economists; see Appendix A for UCT ethical approval. These interviewees provide an understanding of, and experience working on, affordable housing projects and policy in Cape Town, including working with the City of Cape Town, private developers and property consultants. An additional interview was conducted with a University of Cape Town Professor lecturing in the Department of Construction Economics and Management. The information from this discussion provides political and economic insight into the effects of inclusionary housing broadly and in a South African context.

An analysis of 2001-2011 house price data from Statistics South Africa, and Cape Town households Census Data is also used in this dissertation. Access to Statistics South Africa is available to the public via the internet, while the Census Data was made available through Quantec Easy Data. House price data was provided by Lightstone Property (Pty), an organisation that provides information, valuations, and market intelligence on properties in South Africa. This dissertation also includes a linear regression analysis, found in Appendix B, to bolster the argument around the relationship between property prices and proximity to low-income households in Cape Town. The regression was run on a suburb like Hout Bay to show the potential impact that living close to households of lower income has on property prices, and therefore what the effect of inclusionary housing may be in a suburb such as Woodstock. Note that selling price data was provided by Seeff Hout Bay. Unlike the many studies that use hedonic price models to interpret changes in house values, this dissertation uses a qualitative approach to identify the economic, political, and social effects of inclusionary housing.

In summary, this dissertation uses a qualitative/Interpretivist case study methodology- including interviews and a basic regression analysis.

Research limitations

With few inclusionary housing developments implemented in the country, there is limited data or evidence regarding its effect on the property market. Given this limitation, this dissertation uses the story of Woodstock to estimate the impact of inclusionary principles on the economy, and on the political and social spheres.

A limitation of this dissertation is a lack of quantitative analysis. Rigorous analysis requires detailed data. Information on Woodstock's price dynamics and characteristics is difficult to access. It was to mitigate this that a combination of interviews, desktop research, and evidence generation through qualitative means has been applied. For this reason, Appendix B's basic hedonic price regression for Hout Bay, a high-income area with a significant portion of low-income housing, was used to check the robustness of the premise explored in this study, and to suggest what could happen were Woodstock to implement inclusionary housing.

Dissertation structure

Following the introduction, a literature review on house price dynamics and inclusionary housing is provided. The international literature highlights valuable lessons learned about inclusionary housing that are important to consider when applying this approach in a South African context.

A contextual overview of the South African housing market is explored next. This chapter identifies the existing laws and policies regarding housing provision in the country and the political context in which the inclusionary housing question is addressed.

The chapter on Woodstock first explains why this suburb was chosen for this study. It then investigates the economic, political, and social dynamics of the area over time, to highlight a few of the ways the suburb may change with the implementation of an inclusionary housing policy.

In the final chapter, the advantages and disadvantages of inclusionary housing are discussed and key considerations for policymakers are highlighted.

II. Literature on Inclusionary Housing

Since the early 1900s, countries have used inclusionary approaches to housing in their efforts to broaden access to quality housing in cities, whilst improving access to basic housing for lower-income households. Although there is significant literature and research on this topic in the property discipline, its implications are not always fully understood. Many of the studies reviewed in this section contribute to property research through a town and urban planning lens. Little is therefore understood, from an economic standpoint, about the impact of inclusionary housing on broader society.

The literature on inclusionary housing is characterised by several themes. These draw on the design and implementation of inclusionary housing (voluntary or mandatory), incentives to ensure the development of affordable housing units, price and property value changes, and the potential impact of inclusive developments. This chapter explores these themes and highlights several high-level caveats that should be considered when applying inclusionary principles to the South African context. It discusses the implementation strategies for inclusionary housing, and the price determinants for housing; these determinants are important as they provide insight into the potential implications of an inclusionary housing development. In addition, it provides an overview of the literature on the impact of various public housing developments on neighbourhood property prices. Auxiliary implications are then discussed, and gaps and inconsistencies in the literature are highlighted, which to some extent shows the significance and value of the research conducted in this dissertation.

Inclusionary housing developments from around the world

Housing has an important function in society as it satisfies the human need for shelter (Hirata *et al.*, 2013). The provision of affordable housing is a global phenomenon; there are many households that need assistance in purchasing or renting property. One way to provide public housing is through the development of inclusionary housing schemes.

Countries such as Brazil, England, Turkey, Ireland, Spain, Colombia, the United States of America, and Canada use inclusionary housing to provide affordable housing options to households and to encourage integration between different communities (SAPOA, 2018). Schuetz, Been and Meltzer (2008), suggest that countries use inclusionary housing policies and zoning schemes to promote economic and social integration in cities and areas where social cohesion and affordability are lacking.

Table 1 summarises inclusionary housing schemes adopted by countries around the globe. This has been adapted from the SAPOA (2018) report. Importantly, the list below defines several terms used in the table that are not self-evident.

- Land value recapture – “where the state seeks to recuperate a portion of the value gained by the developer as a result of planning processes inherent to development that increases the value of the land, allowing profit generation on the part of the private developer. Among other processes, this includes the value-adding nature of infrastructure provision and rezoning procedures by local authorities that facilitates private sector development” (Urban-Econ & SAPOA: 11).
- Revenue sharing partnership – “the sharing of revenue and risk between private and public sector, and its subsequent fostering of partnerships between role players” (Urban-Econ and SAPOA: 16).
- Inclusionary zoning – the zoning of an area dedicated to the development of inclusionary housing (Urban-Econ and SAPOA).

Table 1: International Cases of Inclusionary Housing

Context & Justification	Approach	Mechanism	Incentives	Requirements
Brazil				
Segregated urban form Affordable housing provision Land value recapture	Voluntary/certain projects	Conditioned on increased development density	Incentives to increase private sector buy-in	10% requirement of affordable housing in >20 000m ² development
England				
Decrease in government spending on housing provision Land value recapture	Negotiation	Condition on gaining planning permission	Limited	Flexible/negotiable
Turkey				
Dual housing system which perpetuates informality Land value recapture	Revenue sharing partnership	Land readjustment Public Private Partnership	Limited	Portion of 40% social infrastructure development
USA & Canada				
Decrease in government spending on housing provision Segregated urban areas Right to development	“Right to develop”	Inclusionary zoning	Cost offsetting incentives to compensate developers	20-30% mandatory requirements
Ireland				

Context & Justification	Approach	Mechanism	Incentives	Requirements
Decrease in government spending on housing provision Land value recapture	Mandatory (including incentives and alternatives)	Inclusionary zoning	Incentives to support feasibility	20% maximum mandatory requirement
Spain				
Decrease in government spending on housing provision Lack of housing accessibility for low-income households Land value recapture	Mandatory (excluding incentives and alternatives)	Inclusionary zoning	None	30% mandatory requirement
Colombia				
Segregated urban form Affordable housing provision on periphery Fulfilling social function of land	Mandatory (power to expropriate)	Pro-active zoning for social housing inclusion	Limited	20% minimum mandatory requirement

(SAPOA, 2018)

As Table 1 shows, countries adopting inclusionary housing have used a range of approaches, mechanisms, incentives, and implementation requirements. Inclusionary developments may be voluntary, at the discretion of the property developer, or mandatory, required by law. Internationally, mandatory inclusionary housing schemes require the development of affordable units ranging from 20 percent to 40 percent of the overall development stock (SAPOA, 2018). These developments would consist of both affordable and market-priced housing units. From the table, the majority of developed nations (England, Turkey, USA and Canada, Ireland and Spain) implement inclusionary housing to aid the reduction of government spending, while emerging economies mostly (Brazil, Colombia) use inclusionary principles to create affordable housing options for households and to solve the issue of segregation in urban settings (SAPOA, 2018; Santoro, 2015; Bosch Meda, 2009; Hickey, 2013; Sence, Willem and Altes, 2014). Inclusionary housing schemes are particularly popular in American cities, with over 300 jurisdictions having adopted inclusive zoning or policies (Schuetz, Been and Meltzer, 2008; Verster, 2009). Basolo (2011) states that, inclusionary zoning policies are used as a tool for affordable housing and to encourage “anti-snob” sentiments in these cities. Developing nations (Brazil, and Colombia) seem to be more concerned with spatial justice over the economic impact of the development, in comparison to developed countries like England, the USA and Canada, Ireland and Spain. The possibility that there is a trade-off in this regard would be an important consideration if contemplating inclusionary housing in Cape Town. An important question to ask is whether the state of the economy and level of development in a country impacts the success and effectiveness of inclusionary housing.

Table 1 also shows that inclusionary principles in emerging economies are commonly implemented through zoning policies, but may also involve third parties such as Public Private Partnerships, as shown in Turkey, to facilitate and enforce such housing (SAPOA, 2018).

Schuetz, Been and Meltzer (2008), suggest that incentives for property developers create buy-in and investment in inclusionary housing schemes. The country cases in the table, however, do not emphasise incentives, with only half of the countries providing incentives to developers. Moreover, the SAPOA country cases do not assess the success or failure of inclusionary housing. The lack of assessment makes it difficult to identify which incentives best suit different property markets, and whether such incentives are essential to inclusionary housing in different contexts. The review of the literature shows that there is no generalisable framework that can be used to identify which incentives and design features are best suited to which countries.

In the South African case, ideas about inclusionary policies and housing schemes have only recently begun to surface. In 2019, the City of Johannesburg Municipality approved the Inclusionary Housing: Incentives, Regulations and Mechanisms Policy (City of Johannesburg, 2019), which aims to address social inequalities in the metro area, encourage the upward social and economic mobility of households, and ensure an increase in property values. The idea behind such a policy is to facilitate transformation of the metro to make it more inclusive, and efficient. The policy has made inclusionary housing mandatory for any housing development within the jurisdiction of the City of Johannesburg Metropolitan Municipality that has 20 dwelling units or more (City of Johannesburg, 2019). In addition, developers are given four options for developing property:

Option One: 20 percent of units of the development must be Social Housing, Finance Linked Individual Subsidy Programme (FLISP) housing or housing with rentals capped at R2100 a month in 2018 prices.

Option Two: Applies to areas in the City where densities of 60 dwelling units per hectare (i.e. averaging 167 m²) or more, are supported by the prevailing spatial policy before inclusionary incentives are applied. In developments of 20 units or more, 10 percent of the total residential floor area must be made up of units that are a minimum of 18m², a maximum of 30m², and an average of 24m².

Option Three: In developments of 20 units or more, 20 percent of the total residential floor area must be made up of units that are 50 percent of the size of market units in the same development, with a maximum of 150m² and a minimum of 18m² per inclusionary unit.

Option Four: Applicants may request a negotiated outcome for inclusionary housing that deviates slightly from options 1 to 3 and must be made in writing to the Director of City Transformation and Spatial Planning.

*Taken from (City of Johannesburg, 2019).

These options are motivated by incentives such as density bonuses, parking benefits, and increased floor area ratios (City of Johannesburg, 2019). Little has been said about the success and failure of this policy and where the limits to buying and reselling units would lie. A major concern with this policy is that housing options that are less than 30m² may be too small to support an entire family and so landlords might think to rent to single young professionals or students, which could take away from this being an inclusionary device. In other provinces, discussions about inclusionary housing are underway. Those interviewed have noted that councillors at the City of Cape Town have debated the potential for inclusionary housing for years but are yet to reach a consensus.

The literature on inclusionary housing suggests that most countries use this scheme as a mechanism to provide affordable options for less fortunate households, to reduce government spending, to recapture land value and to encourage social cohesion and integration within society. Although research points to the adoption of inclusionary housing schemes in many countries, ex-post assessments are rare, and the literature does not reveal whether the schemes have succeeded or have failed to achieve their objectives.

Global house price determinants

Cohen and Karpavičiūtė (2017) argue that analysing the determinants of housing price is important because of its impact on the economy and society (Cohen and Karpavičiūtė, 2017). These authors suggest that change in housing price spills over into related markets, such as the construction sector, which impacts employment and inflation. Research from developed nations points to a range of economic and financial determinants of housing prices, such as GDP, unemployment, interest rate and credit conditions. Additionally, demographic determinants, such as population growth and age, can also contribute to house prices and market changes. In contrast to this wide array of research in developed nations, house price determinants in developing countries are less clear. Studies have shown that property markets fluctuate with shocks in the real economy (Cohen and Karpavičiūtė, 2017). Hirata *et al.*, (2013) note that there are mixed results on the level of synchronisation between global housing markets in general. Nevertheless, there are generalisations that can be made about house price determinants, and these are discussed in this sub-section.

Housing is heterogenous, and because of this there is no single price per square meter across the whole economy that can be used to work out the price of a house (Capozza *et al.*, 2002). Sectional title (apartments) and freehold properties (standalone housing) are distinctive, and each has its own characteristics that are valued differently by different consumers (Nagaraja, Brown and Zhao, 2011). Interestingly, this may be the case across suburbs but there are instances where properties are relatively homogenous within suburbs, and property price indices can be calculated within suburbs. Not only do global economic shifts impact property markets, but local conditions similarly cause price changes (Capozza *et al.*, 2002).

There are a number of factors that affect demand and supply mechanisms that drive house prices (Ellen *et al.*, 2007; Cohen and Karpavičiūtė, 2017). Demand determinants include:

- Household disposable income: where higher income, often in the presence of GDP growth, translates into more money available for rent or mortgages.
- Demographics or characteristics of a neighbourhood: referring to population, size of older or younger generations, locational and spatial costs and benefits, which may affect consumer preferences and decisions about purchasing property;
- Features of the tax system: tax-related features that may induce consumers to purchase property over other assets; and
- Interest rates: a decline in interest rates on mortgages increases households' disposable income, typically boosting demand for housing, and vice versa.

*Taken from Tsatsaronis and Zhu, 2004; Hirata *et al.*, 2013; Cohen and Karpavičiūtė, 2017.

In addition to these factors, Clapp and Giacotta (1993) suggest that interest rates, expected inflation and unemployment may also impact house prices. The former increases house prices as consumers expect to pay more for property in future periods, while the latter affects the disposable income of households. Demand for residential property is clearly driven by consumers in the market, which means that the hedonic characteristics of a property affect its price dynamics.

On the supply side, determinants of house price include the availability and cost of land (higher house prices reflect higher costs of land), the cost of construction (high construction costs discourage developers from building and therefore limit the supply of new housing), and the level of investment into improving the quality of the housing stock (Capozza *et al.*, 2002; Tsatsaronis and Zhu, 2004; Hirata *et al.*, 2013). In addition, Tsatsaronis and Zhu (2004) argue that national factors can also lead to significant changes in house prices. These national factors follow trends and shocks in the global economy. Housing as a commodity is interesting because, unlike conventional commodities whose flows in the market are based on the amount produced, it has a stock that lasts many years, and contributes to the flow as it is resold. The stock and the flow both influence the price of property, and the gap between the price of new-construction (a small portion of sales) and old stock is also important.

Ways to measure the determinants of house price include the hedonic price method and the repeat sales method. With the hedonic price method, house prices are determined by economic, financial and locational factors, considering both global and local contributions to house prices (Nagaraja, Brown and Zhao, 2011; Jiang, Phillips and Yu, 2014). The repeat sale method makes use of on-going property

selling price data to construct real property price estimates and indexes (Nagaraja, Brown and Zhao, 2011). A major drawback of the repeat sales method is that it assumes that properties remain unchanged and thus gain or loss in property value is due to market forces (Nagaraja, Brown and Zhao, 2011). This does not account for the subjectivity of consumer preferences, and demographic determinants, for example in the case of inclusionary housing, on one hand, having suitable accommodation for low-income workers employed by affluent local families might be seen as advantageous and likely to boost prices while on the other hand, it might be seen as likely to lower the “tone” of an area, and to bring in crime and similar negative externalities. It is useful to use a mixed method to understand housing price dynamics in Cape Town, mainly because of the limited quantitative data available. Hence this dissertation makes use of a qualitative analysis of price dynamics.

The literature indicates that there are both global and local factors determining house prices. Additionally, house prices are also affected by determinants of demand and supply. It is important to consider all determinants of house price when trying to understand price changes in the property market.

Related price changes in neighbourhoods associated with affordable housing developments

With the implementation of low-cost or affordable housing, a common fear for communities and property owners is that it will reduce property values in the neighbourhood (Nguyen, 2005; Ellen *et al.*, 2007). Ellen *et al.*, (2007), and Rabiega, Lin and Robinson (1984), describe this as a common misconception, suggesting that the relationship tends to be positive. In contrast, other studies (Goetz, Lam and Heitlinger, 1996, Lyons and Loveridge, 1993, and Lee, Culhane and Wachter, 1999) find statistical support for the negative association between affordable housing and neighbourhood property prices (Nguyen, 2005).

Ellen *et al.* (2007), suggest that subsidised housing may cause changes in property prices through mechanisms such as the removal of physical structures, market effects, population growth, and population mix effects. This is the case when subsidies are used to induce the construction of new affordable housing. It must be noted that inclusionary housing uses regulation to achieve a similar effect. The removal effect relates to the removal of an existing building for housing; if the housing is constructed on land that is considered a disamenity (e.g., littered plots, dilapidated buildings, etc.), a

positive spillover effect on housing prices is expected (Ellen *et al.*, 2007). The opposite effect occurs when housing is established on a desirable piece of land that is already in use, such as a public park or a highly attractive building (Ellen *et al.*, 2007).

With respect to the physical structure effect, a positive impact on housing values is apparent when new subsidised housing is considered to be attractive, high quality, and to mirror and complement the design and look of the existing properties in the area (Ellen *et al.*, 2007). On the other hand, a devaluation of property may occur when the physical structure of the new housing is considered unappealing and out of character (Nguyen, 2005; Ellen *et al.*, 2007). In this case, the quality and design of the new development do not match the host neighbourhood (Nguyen, 2005).

A positive market effect on housing value may be realised if subsidised housing investments in a certain neighbourhood lead to further investment in the area (Ellen *et al.*, 2007). A negative effect is apparent when subsidised housing brings in further low-rent and low-cost housing in the area, dampening the average house price in general (Ellen *et al.*, 2007).

The population growth effect refers to the fact that subsidised housing may lead to household growth, which could in turn create commercial growth, and increasing property values in the area (Nguyen, 2005; Ellen *et al.*, 2007). In contrast, population growth may create congestion, overcrowding, and environmental degradation, which negatively affects property values in the neighbourhood (Nguyen, 2005; Ellen *et al.*, 2007). In this instance, negative externalities are caused by the new public development.

Lastly, the population mix effect refers to the way residents feel about those who live near them. Ellen *et al.* (2007) suggest that households prefer to live close to higher-income neighbours. The idea here, is that people do not want to live in close proximity to poverty and joblessness, which are associated with low-cost, affordable, subsidised, social and inclusionary housing (Ellen *et al.*, 2007). Authors in Ellen *et al.* (2007), state this plainly but do not consider that the problems could be associated with crime, drugs, pollution, and noise and not simply put poverty and joblessness. The idea that households do not want to live in close proximity to “poverty and joblessness” is also referred to as NIMBY-ism, or Not in My Back Yard (du Preez and Sale, 2012). A study undertaken in Port Elizabeth (du Preez and Sale, 2012) suggests that proximity to a low-cost housing development has a negative effect on property prices, not because of the low cost of the housing *per se*, but because of its characteristics, the characteristics of the occupants, and the previous characteristics of the land. One opinion in upper-

income neighbourhoods may be that social groups want to maintain their identities by not integrating. This argument assumes that low-income households are so dissimilar to other households that cohesion between groups is unwanted. This thinking is what inclusionary principles and spatial justice hope to transform. It must be noted however, that often this assumption does not hold because households may simply want to live in specific locations based on reasons other than the type of neighbours they have; additionally, in certain instances, high-income households live with their employees in the same property. Although this may be the case, considering the existence of NIMBY-ism is important, given the context of South Africa where often property value and neighbourhood divisions are associated with prejudice and discrimination.

Du Preez and Sale (2012) argue that the effects on housing prices differ for various housing types, depending on the house size and design, the tenants, the characteristics of the surrounding neighbourhood, and what the new development replaces (du Preez and Sale, 2012). Nguyen (2005) finds that the extent to which property values decline is dependent on factors such as the design and management of affordable housing, compatibility between affordable housing and the host neighbourhood, and the concentration of affordable housing (Nguyen, 2005).

The global literature provides theoretical rationales for both property rises, and falls. In other words, it suggests ambiguous market impacts. If establishing new affordable units were to increase the price of property in a neighbourhood, the housing scheme would be unsuccessful as a tool to achieve affordability. Prescribing that developers must include affordable housing in new development may simply disincentivize them from investing in property, ultimately decreasing the supply of housing, and thereby causing property prices to rise. This would essentially reverse the objective of affordability that the housing scheme aims to achieve (Schuetz, Been and Meltzer, 2008; HUGHEN and READ, 2014; Hollingshead, 2015).

Schuetz *et al.* (2008), argue that price changes in property around a property development is dependent on the behaviour of developers (Schuetz, Been and Meltzer, 2008). Developers may, in order to bypass the inclusionary requirements, develop in areas without such policies in place, increase the price of their market rate units to offset the losses incurred with the affordable units, or decrease the price they are willing to pay to purchase developable land (Schuetz, Been and Meltzer, 2008; Schuetz, Meltzer and Been, 2011). In all three cases, property prices are affected. A study by Ihlanfeldt and Shaughnessy (2004), shows a decrease in property prices after the development of inclusionary housing (Schuetz, Meltzer and Been, 2011). In this case, with more affordable units in the market, the

price of surrounding housing declines. This suggests reduced demand for market-related property as a consequence of the negative association with public housing (Hollingshead, 2015). A question to ask is whether, given these perceived negative effects, affordable housing should be confined to other, less attractive locations. This approach, however, further exacerbates spatial segregation and separateness, and so would be run counter to the social objectives of inclusionary housing.

A variety of methods can be used to measure and understand the relationship between different housing schemes and residential property values. Nguyen (2005) separates the research on this topic into first-wave and second-wave studies. First-wave studies use a test versus control area method. This compares property prices between neighbourhoods with affordable housing and similar neighbourhoods without it (Nguyen, 2005). A major issue with this method is that it does not exclude the possibility that housing price changes are due to a factor or characteristic uncaptured in the test. As an example, neighbourhood boundaries which are often delineated by researchers, could include or exclude one block of housing units, ultimately affecting study outcomes (Nguyen, 2005). To resolve this, second-wave studies, use regression analysis of hedonic price models to measure price changes. This method assumes that consumers place a monetary value on various characteristics of the house, which means that the determinants of house prices can be identified. Here, the effect of public housing is investigated by considering a number of factors, including locational markers (Nguyen, 2005; Schuetz, Meltzer and Been, 2011; du Preez and Sale, 2012). Interestingly, du Preez and Sale (2012), apply a conditional logit model and utility function to a neighbourhood data set from Nelson Mandela Bay. This technique focuses on the probability that proximity to social housing will affect consumers choosing to purchase a house with other specific characteristics.

The ambiguity of the neighbourhood price effects of affordable housing is supported by Ellen *et al.* (2007), who suggest that economic theory has been unable to generalise and predict the real effect of affordable housing property values. Importantly, many of the studies conducted on this topic can predict either future housing prices or the determinants affecting house prices, but there are few that research the causality between housing price changes and subsidised or low-cost housing (Nguyen, 2005; Ellen *et al.*, 2007). Thus, the literature has not dealt with whether subsidised housing is normally located in weak (cheaper) neighbourhoods, making price changes negative, or if the public housing development contributes to the decline in property values in the neighbourhood. There is no clear consensus in the literature reviewed here on the direction of the effect that inclusionary housing developments may have on neighbourhood house prices.

Additional implications of inclusionary housing

A key justification for implementing affordable and inclusionary housing in socially divided cities is the benefit of the resulting spatial, economic and social integration (du Preez and Sale, 2012; Klug, Rubin and Todes, 2018). Here, integration may bolster a sense of social unity. Interestingly, Klug, Rubin and Todes (2018) predicted that inclusionary housing would not be as widely supported in a society as unequal as South Africa, given the general lack of social understanding and cohesion already present. An additional impact of inclusionary housing in an affluent area is that it may place lower-income households in further financial hardship as they struggle to afford the higher costs of food, transport, schools, and additional amenities in the area (Verster, 2009).

The impact of inclusionary housing cannot be generalised, and depends on a variety of factors (Schuetz, Been and Meltzer, 2008). As mentioned previously, the idea is that the size and incidence of the measured implications of inclusionary housing depend in general on factors such as the type of scheme, the stringency of the land-use regulations in the surrounding areas, and housing supply and demand (Schuetz, Meltzer and Been, 2011). In addition, there are different implications for different participants; for instance, property developers have different costs and benefits associated with inclusionary housing in comparison to households. These impacts do not fall evenly among the different participants in the housing process. The literature mentions the importance of incentives for developers to buy into inclusionary housing, to compensate them for the reduction in profits as they forfeit the sale of units at market rates (Schuetz, Been and Meltzer, 2008). Here, presumably, implementation costs are higher and revenues from the sale of units are lower. Some studies have suggested that inclusionary housing may affect the future supply of housing in a neighbourhood. It is highly unlikely that private developers would develop affordable units voluntarily, without incentives. Clearly, the number of housing units may increase if developers are incentivised (Schuetz, Meltzer and Been, 2011; Hollingshead, 2015). A developer can make a profit by offering cheap homes in a cheap neighbourhood, but the profit would fall if the developer were required to buy expensive land on which to build cheap homes. With this logic, developers will likely incur construction costs that suit a location and will need incentives if they are to build a housing scheme that puts low-quality housing in a high-price area.

Klug, Rubin and Todes (2018) identify additional concerns associated with inclusionary housing, such as growing administration costs (municipalities would have to take on the burden of administrating

complex programmes) and legal efforts (relating to developers and developing) that may arise with the implementation of inclusionary housing.

For low-income households, where affordability concerns are important, inclusionary housing has a significant positive value. The developer's financial loss could be the lucky households gain if there is no restriction on them on "flipping" or refurbishing the house at market price.

Identified limitations and gaps in the literature

Internationally, examples of inclusionary housing schemes have been a popular and valuable means of creating affordable options for households and of inducing urban spatial transformation. A major deficiency in the literature reviewed is that authors rarely quantify and measure the impact that housing developments have on society. The literature thus infers, *a priori*, the advantages and disadvantages of such housing schemes for different participants in the housing process but does not demonstrate whether they proved good or bad for society as a whole. A further limitation of the global study of inclusionary housing is that there is very little evidence from emerging economies. This dissertation aims to fill some of this gap by exploring the possible effect of inclusionary housing in Cape Town, South Africa.

III. Contextual Overview

This overview provides the background to housing demand and supply in South Africa. In addition, the chapter highlights the important housing legislation and policies that have been implemented and the associated successes and failures of these initiatives. Following this, the chapter shifts to housing in Cape Town, and the current discussions concerning inclusionary housing in the city.

The importance of housing in South Africa

The South African government has committed to providing inclusive and equal access to economic and social opportunities for all citizens. During Apartheid, the Group Areas Act located poor black South Africans on the peripheries of major cities, limiting their access to economic opportunities, jobs, and services. Town planners in the post-Apartheid era regularly observe that such spatial segregation remains intact (Verster, 2009; Newton and Schuermans, 2013; Musvoto and Mooya, 2016; Klug, Rubin and Todes, 2018). According to Verster (2009), low-income households are restricted to the outskirts of cities. Locating low-income households in the periphery, in poorly built houses and far from amenities, intensifies urban sprawl and increases daily travel costs (Klug, Rubin and Todes, 2018). As a result, pressure has been placed on the government to reshape South African cities to unify the population and offer equal opportunities for all.

Several South African government ministries, over the three tiers of government, take on the task of providing housing. In some cases, households that are unable to afford adequate homes are given housing or housing subsidies from the government, depending on what they can afford. There are various types of affordable housing provided by different tiers of government and the private sector; and interestingly it is mainly local government that is responsible for pushing housing forward. The following are the most popular types of affordable housing provided by the government, in 2019:

- Subsidised Housing or “RDP Housing” (named for the country’s ‘Reconstruction and Development Programme’) – targeted towards South African households earning between R0 and R3 500 per month and provided by the South African Government (GroundUp, 2017).
- FLISP/”Gap” Housing – targeted at households earning between R3 500 and R22 000 per month. This housing system provides assistance to households unable to obtain a bond for a house, with subsidies ranging from R20 000 to R87 000 depending on the level of household income (GroundUp, 2017; Center for Affordable Housing Finance, 2019).

- Community Residential Units (CRU) – targeted at households earning between R800 and R3 500 per month (GroundUp, 2017). Developments are provided a 100% subsidy for capital costs incurred, excluding land and services expenses, and are implemented by national, provincial and municipal governments (Department of Human Settlements, 2015).
- Social Housing – targeted at households earning between R1 500 and R15 000 per month. Development occurs in restructuring zones, where 30% of units can be developed in the primary market (R1 500- R5 500) and 70% of units in the secondary market (R5 500- R15 000) (Western Cape Governments Department of Human Settlements, 2019). Delivery agents include Social Housing Institutions and developers; all social housing developers are overseen by the Social Housing Regulatory Authority (SHRA).

*All of the above is in 2019 prices.

In the South African context, defining affordability in monetary terms has been a topic of ongoing debate, as it varies with household size, age profile, and location. Additionally, the level of affordability for households may fluctuate with changing economic and political trends. Affordability in this dissertation depends on household income, credit-worthiness, and the value of a household's existing assets (McGaffin, 2018).

In 1994, it was estimated that South Africa's housing backlog had reached 1.5 million units (urban informal households) (Tissington, 2011). As of 2022, the housing backlog remains, leaving many South Africans without adequate accommodation and in many instances without essential services (water, sanitation, electricity). In its 2018-2019 Annual Performance Report the Department of Human Settlements states that 4.8 million housing opportunities have been created since 1994. Housing experts, however, argue that housing statistics have not been vetted formally. Even with these housing opportunities established, the Socio-Economic Rights Institute estimates that between 2.9 million and 3.6 million people live in informal settlements without formal homes (Davis, 2019).

The lack of housing and the inefficiency of the planning system in the country is exacerbated by a growing population, a worsening unemployment rate, and rapid urbanisation or urban sprawl (Verster, 2009; Musvoto and Mooya, 2016). In 1994 to 2020 South Africa's population grew by approximately 15 million people (The World Bank, 2022). Over the same period, the number of people living in urban areas grew from 21,906,216 to 39,946,775 (Macrotrends, 2022). The increasing

population in the country and urban areas translates into a growing demand for property (Stats SA, 2019).

With an unemployment rate of 29.1 percent at the end of 2019, many households are unable to afford housing in the segments of the property market where units are available, for example in private property (Trading Economics, 2019). The high level of unemployment affects household income, making affordability more significant. Without employment and therefore income, households will struggle to purchase or rent property and therefore rely on the government for assistance or turn to other forms of housing such as backyard dwellings. A growing proportion of the working-age population has migrated to cities for better economic opportunities. This urbanisation puts pressure on the housing market, with an influx of households needing housing in a dense and populated city.

To address housing challenges, the government has adopted several housing policies that prioritise the housing crisis and address issues of inclusivity in the country. These policies are explored in the following sub-section.

Policy overview and analysis

The 1994 White Paper on Housing was adopted as the country transitioned to democracy. The paper called for the establishment of human settlements for previously disadvantaged communities and the provision of low-income housing in areas with significant economic potential; it also encouraged integration in both the social and economic spheres (Musvoto and Mooya, 2016; SAPOA, 2018). As one of its primary guiding policies, the White Paper emphasises “prioritising the needs of the poor, encouraging community participation and the involvement of the private sector to deliver 1 million houses in 5 years” (Hollingshead, 2015 and Musvoto and Mooya, 2016). Importantly, integrating low-income households into more affluent areas did not feature in the early policy papers.

The 1996 South African Constitution’s stipulation that everyone has the right to adequate housing, provides some insight into the direct and indirect ways in which this right can be fulfilled (Tissington, 2011), but “adequate” is not clearly defined. The constitution also says that the state must take reasonable legislative and other measures, within its available resources, to achieve this right. Similar to what is considered “affordable” the term adequate housing depends on the context and circumstances of households and individuals. Without clear definitions in both these instances holding the government accountable for housing provision becomes particularly difficult.

The UN International Covenant on Economic, Social and Cultural Rights (1991), deals with the right to adequate housing and says that “the right to housing should not be interpreted in a narrow or restrictive sense which equates it with, for example, the shelter provided by merely having a roof over one’s head or views shelter exclusively as a commodity. Rather it should be seen as the right to live somewhere in security, peace and dignity” (United Nations, 1991). Similarly, Tissington (2011) argues that adequate housing concerns more than simply providing shelter, and goes in hand with other rights such as the right to public participation, equality, human dignity, just administrative action, freedom of expression, access to information, and access to justice (Tissington, 2011). The author suggests that the state should strive for the provision of such housing but recognises that this is difficult in reality. Not only would the state need to provide basic shelter, but it would also need to satisfy the requirements for adequacy, such as the transition to transformation, equality and socio-economic well-being (Tissington, 2011). Achieving these requirements is a long-term commitment, and there has been limited clarification of the minimum requirements for adequate housing by the government and the relevant rule-making courts. With a large housing backlog, constraints on land availability and financial resources, the success of establishing adequate housing has been limited (Tissington, 2011).

Since democracy, the African National Congress (ANC) government has implemented a number of policies and plans relating to housing delivery, as shown in Table 2.

Table 2: Key Housing Policies and Plans in South Africa

Policy	Key Objectives
Reconstruction and Development Plan (1994)	<ul style="list-style-type: none"> • To create integrated socio-economic development for the country • To build on democracy and eradicate the results of Apartheid • To provide subsidised housing • To foster urban renewal and development in South Africa (South African Presidency, 1994)
Housing Act (1997)	<ul style="list-style-type: none"> • Define and facilitate the housing development process and lay down the principles applicable to the various spheres of government, i.e., national, provincial and local government (The Government of the Republic of South Africa, 1997)

Policy	Key Objectives
	<ul style="list-style-type: none"> • Define the different roles and responsibilities for the tiers of government holding them accountable for these functions (Tissington, 2011)
Prevention of Illegal Eviction (PIE) Act (1998)	<ul style="list-style-type: none"> • Protects households against the unlawful eviction of those living on privately or publicly owned land (Tissington, 2011)
Rental Housing Act (1999)	<ul style="list-style-type: none"> • Defines the government’s role and responsibilities in rental housing property and promotes the provision of rental units in the housing market • Facilitates a relationship between tenants and landlords (Department of Human Settlements, 2018)
Breaking New Ground Policy (2004)	<ul style="list-style-type: none"> • Emphasises the use of housing as an instrument for developing sustainable human settlements in allowing for spatial restructuring • Promotes social cohesion, combatting crime, and improving the quality of life for the poor • Enhances growth in the economy • Views housing provision as a job creation strategy (Department of Human Settlements, 2009) • Promotes a “non-racial integrated society through the development of sustainable human settlements and quality housing” (Department of Human Settlements, 2009)
Social Housing Act and Policy (2008)	<ul style="list-style-type: none"> • Promotes a sustainable housing environment (Tissington, 2011) • Defines the roles and responsibilities of national, provincial and local governments with respect to social housing and allows other delivery agents to develop (Tissington, 2011) • Defines the Social Housing Regulatory Authority (SHRA) and the function of Social Housing Institutions (Tissington, 2011)

Policy	Key Objectives
The Spatial Planning and Land Use Management Act (SPLUMA) (2013)	<ul style="list-style-type: none"> • Redresses apartheid spatial planning and segregation by prioritising spatial justice and the development of communities
Growth, Employment and Redistribution Programme (1996) and the Accelerated and Shared Growth Initiative for South Africa (2006)	<ul style="list-style-type: none"> • Identifies planning and land use management as key priorities for institutional reform • Emphasises integrated planning and services by all government tiers (Musvoto and Mooya, 2016)

Housing policies in South Africa have met both successes and challenges. In the latter sense, policies have not been able to eradicate the housing crisis and there remains a backlog of households without homes. Stakeholders suggest that the government is more than capable of creating policies, but that these are often difficult to implement and that they stagnate due to bureaucratic processes.

Klug, Rubin and Todes (2013), suggest that the RDP plan of 1994 reinforced apartheid spatial segregation while it managed to create some affordable housing units for households. The policy made use of lower land costs for purchase, recaptured large tracts of land, and rendered projects easier to manage in peripheral areas of cities (Klug, Rubin and Todes, 2018). This policy located housing developments in peripheral areas only. In 2013, it was calculated that over 2 million units were created throughout South Africa and in Cape Town approximately 110 000 RDP houses were delivered (McGaffin, 2018). Despite this, the level of housing provision has not been sufficient to solve the lack of housing in the city. To keep costs low, units have been provided in poorly-located areas, which means that households have limited access to services and economic and social opportunities (McGaffin, 2018). Furthermore, it has been argued that institutional structures, housing allocation, and supply-chain related issues have hindered the RDP process (McGaffin, 2018). These challenges undermine economic and labour mobility, making it difficult for households to improve their income and employment status.

Since democracy, several Social Housing Institutions have begun to emerge. These institutions include organisations that develop, own, and manage affordable housing, usually rental accommodation; for example, The Social Housing Company (SOHCO) that operates in Durban, East London and Cape Town. In 2006, Social Housing Institutions were encouraged to align their programme objectives with local needs and to service the most vulnerable households first (Newton and Schuermans, 2013). The

government called for the involvement of communities through consultation, communication and education, to empower these vulnerable groups and create a more integrated housing system (Newton and Schuermans, 2013). With this request from the government, it was envisioned that spatial segregation would ease. Although social housing schemes incorporate different types of affordable housing schemes (detailed previously in this section) and have seen the construction of such developments, the financial and institutional requirements for rolling out these units on mass make it an unreliable and unrealistic method (McGaffin, 2018). To date, about 33 000 social housing units have been built in South Africa. Social housing programmes are currently undergoing expansion. With new Social Housing Institutions being accredited and the Restructuring Capital Grant income bands having been adjusted for inflation after years of inactivity; the National Association of Social Housing Organisations hopes to expand the number of social housing units to 170 000 by 2030 (Development Action Group, 2018).

Currently, many South Africans await housing from the government. The issues of delivery and spatial inequality that linger across the country are being considered by the government, and relevant policies have been established to address these issues. Whether policy objectives are achievable in the current South African situation is questionable.

Ideas of inclusionary housing in South Africa and Cape Town

Between 1948 and the early 1900s, the spatial form of Cape Town was shaped by apartheid policies of forced removals and segregation that placed many Black and Coloured households in peripheral areas of the city. These areas were located at a distance from economic opportunities, public amenities, and commercial businesses (City of Cape Town, 2018). In contemporary Cape Town, this spatial legacy remains, the mostly poor households living in peripheral suburbs facing high travel costs when accessing employment, public and private goods, and services (City of Cape Town, 2018). An earlier approach was to bring industry to the peripheries where the workforce lived and let managers travel out to their places of work. This, however, did not change the landscape of segregation in the city, although it did contribute to creating economic and commercial nodes in areas outside the city centre, for example, the Tyger Valley Business Node and Century City Business Node in the Northern suburbs of Cape Town. Interestingly there are a few suburbs in the city where inclusivity and closeness to economies are better supported, such as Woodstock; this will be explored further in the following chapter.

In 2021, the City of Cape Town Municipality estimated a population growth rate of 1,6 percent (Western Cape Government, 2021). With this increase, it can be assumed that the demand for housing will increase. The increase in population and households in the city is not only due to expanding families, but also to the immigration of households from other South African provinces to the Western Cape. Given the growing number of households and the current housing backlog in the city, the provision of housing is a major priority of the Cape Town Municipality.

With the remains of spatial segregation imprinted on Cape Town neighbourhoods, the City of Cape Town Municipality has sought to overcome the spatial legacy of apartheid in Cape Town by developing integrated human settlements (City of Cape Town, 2019). These settlements are to be developed on well-located land close to public transport, jobs, government services and public amenities (City of Cape Town, 2019). In 2019, it budgeted approximately R2 337 million for the newly established Human Settlements directorate. This directorate prioritises the establishment of integrated human settlements² taking the lead on facilitating their development (City of Cape Town, 2019). This directorate will try to achieve these objectives through various projects and programmes implemented in the following municipal departments:

- Housing Development – mandated to manage the initiation, planning and implementation of integrated human settlement projects and to facilitate the development of social facilities and amenities.
- Public Housing – mandated to direct, manage and control the operations with regard to the transfer of the City’s public housing assets to tenants and the management of public housing.
- Informal Settlements – responsible for upgrading informal settlements through a variety of interventions (City of Cape Town, 2019).

In the period 2017 to 2018, the directorate was able to service 1 052 sites in informal settlements (referring to incremental housing and re-blocking) with an initial target of 2000 sites. Its aim to establish 1000 deeds of sale agreements signed with beneficiaries in informal settlements was also not achieved (only 600 deeds were established), and only 65.9 percent of the allocated housing budget expenditure was spent (90 percent was the target) (City of Cape Town, 2019). This type of site and service approach is a cheaper and quicker way to meet the needs of new households, but this is still

² Defined as improving the overall living and built environment of communities, balancing quantity and quality housing opportunities, and focusing on improving the livelihood of the poor (City of Cape Town, 2012).

not enough to tackle the housing backlog by itself. Additionally, working on housing in informal settlements does not change the spatial dynamic of the city. These achievements are minor successes in each case, as the Municipality is unable to achieve its targeted housing provisions. A major risk for the municipality in housing provision is that revenues collected from rental income, from City owned rental housing, are under pressure due to the growing level of outstanding rental debt (City of Cape Town, 2019). However, there are different strategies and payment schemes that may mitigate the effect of increased rental debt. For example, the City of Cape Town could make use of long-term lease agreements, ensuring that after a number of years of rental payments, the lessee gets the title deeds for the property.

To achieve integration in the city, the Municipality aims to ensure that the housing opportunities being developed are in well-located areas close to public transport, job opportunities, government services and public amenities (City of Cape Town, 2019). One reason for continued spatial segregation in the city is that housing policy has historically been focused on housing interventions and development in peripheral areas of the city. For this reason, Newton and Schuermans (2013) suggest that the focus should be on inner-city urban areas, which in recent years experienced an influx of Black residents. This refocus could contribute to addressing spatial segregation with respect to housing or could be established in collaboration with development in peripheral areas.

In discussing urban integration to alleviate separateness in the city, the possibility of inclusionary housing comes to the fore. Conversations about inclusionary housing began in 2005, at the governments' Housing Indaba in Cape Town, where it was decided (by various relevant ministers, government officials and experts) that every commercial housing development would have to allocate a certain percentage of their units to those who qualify for government housing subsidies (Verster, 2009).

Despite this, there has been little formal political action on this objective (Verster, 2009; Klug, Rubin and Todes, 2018). Reasons for this lack of support include resistance from property developers and middle- to upper-income households. Property developers raised concerns about social engineering, which touches on the idea that social development and property development should remain separate (Klug, Rubin and Todes, 2018). Developers also consider the loss in profit associated with the provision of low-income units. Steep housing prices in South Africa make investment in property vulnerable to property price fluctuations - if high-valued properties fail, the medium and low-cost housing would not be able to offset losses for investors and will reduce their profits (Klug, Rubin and Todes, 2018). Middle-

and upper-income households fear that inclusionary housing developments in their neighbourhoods could heighten crime rates. An additional criticism of the potential policy is that it would be costly to offer incentives to developers for something that may have limited impact. Sceptics of inclusionary housing argue that various institutional and legal issues may arise, given the fragmented nature of the South African government's planning and legislation systems and its slow approval process (Klug, Rubin and Todes, 2018).

Despite these criticisms, an Inclusionary Housing Policy Framework was established in 2007. This aimed "to achieve a more balanced outcome of the built environment creation in the direction of a more racially integrated and income inclusive residential environment" (Klug, Rubin and Todes, 2018:212). Certain municipalities, mainly in Gauteng and the Western Cape, have begun to encourage developers to provide a portion of their development for affordable housing (Verster, 2009).

In 2019, as mentioned in the Literature Review, the City of Johannesburg implemented an Inclusionary Housing Policy providing incentive options for developers and information regarding the regulatory environment and mechanisms to enforce such developments. This inclusionary housing policy considers the development of new sectional title units. Verster (2009), warns that inclusionary housing policies will only be successful if implemented with flexibility, so that different contexts can be accommodated. An example where context matters has come from Malaysia, where affordable housing units were abandoned because they were located in an area where demand for such housing was low (Verster, 2009). Furthermore, it is argued that the lack of institutional and legislative backing for the policy challenges the implementation of inclusive housing developments (Klug, Rubin and Todes, 2018).

Various questions regarding whether inclusionary housing policies will solve the national housing backlog have been posed. According to Ndifuna Ukwazi (NU), a non-governmental organisation advocating radical spatial transformation, inclusionary housing should not be used as a mechanism for housing provision. Instead, it should be understood as a tool to enforce spatial justice, equality of access to land, and the right to housing (Ndifuna Ukwazi, 2018b). Such housing could be provided while stimulating densification and inclusive economic growth throughout South Africa. According to NU, there are four main criteria for advancing spatial justice through inclusionary housing:

1. Location in a well-located area – referring to a residential neighbourhood that is associated with growth in economic investment, wealth, and jobs, with sufficient access to transport networks, infrastructure and services such as hospitals and schools.
2. Provision of greater access to land and housing – targeted to Black and Coloured households that need housing the most: those that are vulnerable, facing eviction and displacement, or are currently without adequate homes. Such housing should also accommodate various household sizes.
3. Affordability – based on average incomes, where spending on rent or purchase is no more than a third of household income. Inclusionary housing should be targeted towards households who do not earn enough to rent or purchase homes in well-located areas. In 2017, these were households earning between R3 500 and R18 000 per month.
4. Affordability in perpetuity – where the cost of inclusionary housing should not increase faster than inflation or annual income. This is to be protected through transparent, fair and binding regulatory arrangements (Ndifuna Ukwazi, 2018a).

These four ideals are achievable, in Cape Town specifically in the rental market. There are risks associated with focusing on affordability in the rental market, in that it may discourage new construction and spending on maintenance. As a result, this may stimulate the development of inner-city slums. Even with this associated risk, creating housing by densifying remains an interesting opportunity for housing development in the city. The city should consider the negative impact of having rent controlled apartments, where households who move in, stay on, even after their incomes rise, and at the same time developers, who would have constructed new blocks, stop doing so (Maass, 2012). The result is a worsening of the housing shortage facing low-income households.

There are several neighbourhoods situated close to the Cape Town Central Business District (CBD), such as Woodstock and Salt River that are, in the terms defined above, well-located. There are still a number of buildings and land parcels in the city and its immediate surroundings (including Woodstock and Salt River) that are not utilised and could be used for housing accommodation (e.g., Salt River Market and Train Station). Affordability can be achieved by targeting households within the identified income-earning categories. This type of targeting is a common practise for identifying households eligible for affordable housing. The criterion that may be most difficult to achieve is affordability in perpetuity. Here, income needs to be monitored so that if household income increases above what is considered affordable, they would need to pay an increased rental or mortgage payment or forfeit the

unit. In general, a mechanism to enforce the above-mentioned criteria is to use robust regulatory arrangements around the following:

- The level of income of households eligible to rent or purchase units – this must be monitored so that units are only available to those that need it most, where the level of affordability matches the level of income and the repayments being charged.
- The relationship between private developers and the inclusionary housing development – where developers need to support and buy into the development of affordable units and put measures in place that ensure the managers of the development are following the correct protocols when accepting new tenants.
- The amount and type of incentive given to property developers – regulation needs to be in place that manages the incentive provision process so that it is financially viable for the developer, tenant and government authorities to develop.
- The legal terms around the re-sale of inclusionary units to low-income households or developers – mandating the protocol and process around whether units can be re-sold and how they will be released back into the market in terms of price and affordability.
- Zoning and construction requirements – regulating how the development should be built, and the size and characteristics of the building.
- The role of Social Housing and Inclusionary Housing Organisations in the development of inclusionary housing – they play a regulatory role so that price fixing and collusion cannot happen, and manage the process of developing inclusionary housing.

The final chapter of this dissertation looks at whether inclusionary housing in Cape Town could create the spatial justice envisioned by NU.

Conclusion

With a significant housing backlog and many households with limited access to economic and social mobility, both housing provision and socio-economic inclusivity need to be addressed across South Africa. The ANC government has established policies, plans and numerous interventions to increase service delivery but implementation has been insufficient to date. Important questions to ask when exploring the housing backlog in the country, is whether it is reasonable for the government to take

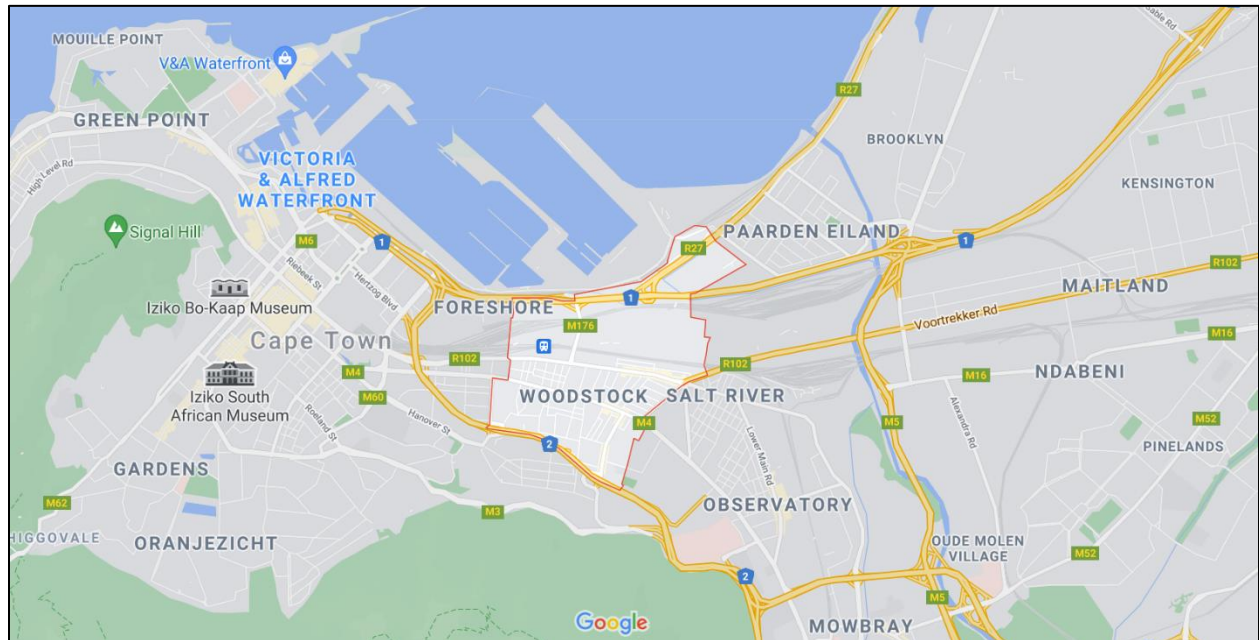
on the role of housing provision and or should South African authorities bolster the private sector to provide housing instead.

In Cape Town, a mechanism that might bolster upward socio-economic mobility is the establishment of inclusionary housing developments. For such housing schemes to achieve their intended objectives, there would need to be adequate land available, buy-in from various actors and robust regulation of the entire process and development. Although this type of development may be beneficial there would need to be deeper consideration for and a more rigorous investigation on the economic and ethical impact of inclusionary housing.

IV. Woodstock Case Study

Woodstock, located just east of the City of Cape Town is known as a vibrant and culturally diverse neighbourhood. The figure below locates Woodstock and the surrounding suburbs within Cape Town.

Figure 1: Locating the Woodstock Study



(Google Maps, 2019)

The implications of inclusionary housing are complex, and fully appreciating them is difficult, especially given the limited administrative data available in South Africa. This section identifies how and why Woodstock has changed economically, politically, and socially, over time. Additionally, the price change dynamic of Woodstock is explored to investigate the potential long-term market effects of inclusionary spatial planning in future housing markets.

A brief history of Woodstock

Woodstock meets the basic criteria for an inclusive neighbourhood as it has been considered to be “open” to households of different races and incomes throughout history.

“Woodstock, a former suburb and current inner-city neighbourhood, is one such example, long reflecting a high degree of mixing and interaction amongst peoples from various socio-economic, ethnic, and cultural backgrounds” (Besteman, 2008). “Indeed, as far back as 1865,

the census of Woodstock (then known as Papendorp) is characterised as racially mixed, with whites, coloureds and blacks living side by side as neighbours” (Field, 2001).

Woodstock is Cape Town’s oldest suburb and was originally an agricultural settlement (Garside, 1993; Wenz, 2012). During the 1880s the area became an industrial hub for glass, leather, and textile manufacturing and food processing (Wenz, 2012). The industrialisation process reclaimed Woodstock Beach to make space for the extension of the harbour and new railway lines, changing the geographical feel of the area (Wenz, 2012).

From the turn of the 20th century, Woodstock was an example of a neighbourhood housing working-class White and Coloured families and other ethnic minorities (Garside, 1993). In more detail, the ethnic mix of households residing in Woodstock has included Boer War British settlers, rural Afrikaners, Eastern European Jewish people in the 1930s, Southern Europeans in the 1940s, and the Portuguese immigrants of the 1970s (Garside, 1993). In 1966, the Group Areas Act was invoked to change District Six, a neighbouring suburb, to a White-only area. Many of the Coloured population who worked in factories in Woodstock and lived in District Six were relocated to peripheral areas in Cape Town on the Cape Flats. District Six was, like Woodstock, home to a melting pot of people and was located on the edge of the city centre. Wenz (2012) suggests that the forced removals from District Six created a rift in the tightly knit social net between those households living and being removed from District Six and those living in Woodstock.

Throughout its industrialisation, Woodstock remained home to residents of different racial categories and demographics. The Group Areas Act also attempted to declare the suburb a White-only neighbourhood, but this was not successfully enforced. Woodstock retained its “open to all” status but local government made housing permits more accessible to Coloured households to buy property in the lower end of Woodstock, while issuing permits to White families in the upper part of Woodstock (Garside, 1993). The suburb was considered a “grey” or “controlled area” with its residents being a mix of White and Coloured (Garside, 1993). The figure below depicts the division between upper and lower Woodstock.

Figure 2: Upper and Lower Woodstock with Industrial/Commercial Docks



(Google Maps, 2019)

In the late 1980s, the South African government attempted to enforce a law that would formalise the lower area of Woodstock as a Coloured-only residential area. This attempt was met with resistance by residents and the Open Woodstock Campaign emerged. This organisation called for the suburb to remain “open” to all races (Garside, 1993). Residents of upper and lower Woodstock participated in the Open Woodstock campaign which ultimately forged a united identity and sense of community in the suburb. The campaign organized petitions, hosted local meetings, and took surveys to gather support against the segregation of Woodstock.

The next wave of migration to Woodstock saw many Coloured professionals, working in the Cape Town CBD, moving to Woodstock. These young professionals were attracted to Woodstock because of its proximity to places of work in the CBD. White middle-class households similarly moved to upper Woodstock as a convenient inner-city suburb. In an attempt to attract more of the local middle class, developers began revamping the existing housing in lower Woodstock, sparking the beginning of a gentrification process (Garside, 1993).

The 1980s and 1990s saw the closure of most of the textile factories in Woodstock and Salt River, as South Africa moved to a globally integrated economy cheaper imports from the Far East decimated the local textile and clothing industries (Wenz, 2012). Many of the factories in Woodstock became dilapidated and run-down, and foreign developers have begun redeveloping and refurbishing these industrial buildings into mixed-use developments, speeding the process of gentrification in the suburb. These property developers have attracted creative individuals, students, and young professionals to the area by marketing the attractiveness of the lock-up-and-go lifestyle of the urban area and the locational advantages of the suburb. The photographs below depict the gentrification process, contrasting the redevelopment and resistance to redevelopment in Woodstock.

Figure 3: Re-development of Gypie Street



(Google Maps, 2019)



Figure 4: Additional development in Woodstock



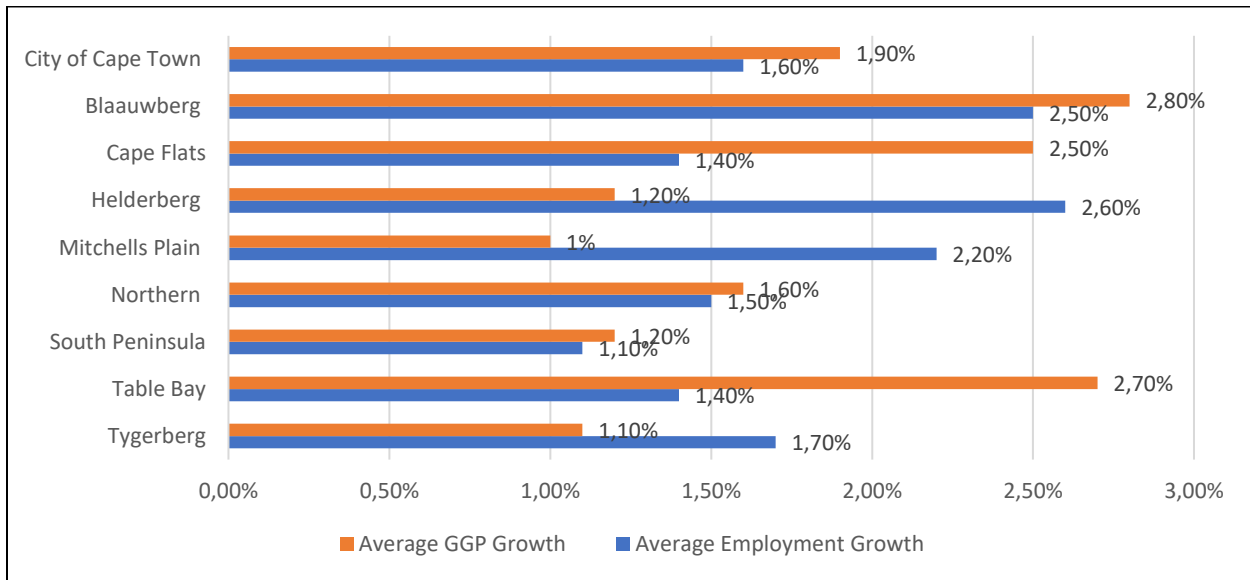
(Development Action Group, 2018)

Over the years, the gentrification process has paved the way for a wealthier segment of the population to make their homes in various parts of Woodstock. The gentrification process began in upper Woodstock but was mostly resisted by the low-income community in lower Woodstock, as shown in Figure 3. Despite this resistance, historically low-income households face rising rents as more improvements are made in the area.

The state of the economy in Woodstock

Woodstock is part of the South Peninsula or southern region of Cape Town. In 2019, the district experienced an average gross geographic product growth increase of 1.2 percent and an average employment growth of 1 percent. The graph below depicts the economic performance of the Cape Town districts in 2019.

Graph 1: Economic Performance in Cape Town



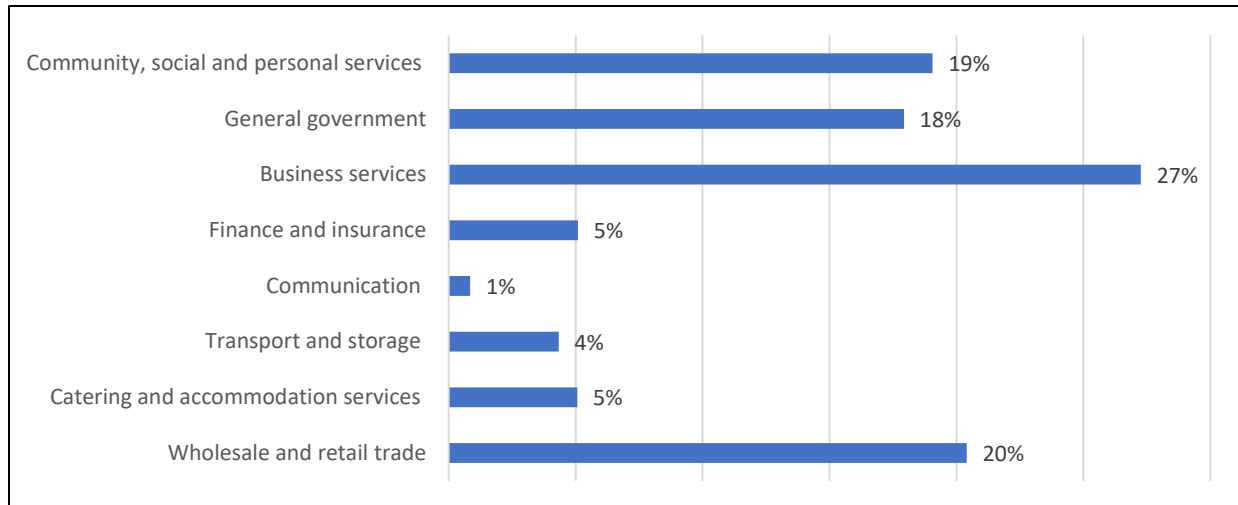
The graph was created using figures from Quantec Easy Data. The economic growth in the South Peninsula mirrors the same trend experienced in the City of Cape Town. Growth in the South Peninsula could be attributed to growing investment and economic performance in the booming Claremont business district and increased activity in suburbs like Woodstock and Salt River among other reasons. Geographically, Woodstock is near various economic markets, including the Cape Town Central Business District (CBD), which counts for 25 percent of the Metro’s economy, and smaller economic markets within the suburb itself; The Old Biscuit Mill, and Salt River Circle.

In 2019, decades after the closure of factories in the Woodstock/Salt River area, 83 percent of the working-age population (15 to 64 years old) who are employed in the southern region have jobs in the tertiary sector, 12 percent in the secondary sector and 5 percent in the primary sector. This has been calculated using Quantec Easydata.

Residents of the southern region work in business services, wholesale and retail trade and community, social and personal services. This trend is similar in Woodstock. According to the 2011 household census in Woodstock, 24 percent of the working-age population works in business services, financial and insurance services, and real estate (32 percent in the southern region), while 23 percent work in community (19 percent in the southern region), social and personal services and 23 percent in wholesale and retail trade (20 percent in the southern region). Households in the area often travel to the City of Cape Town CBD, Tygervalley, or Claremont CBDs for work. With a rise in technology start-

ups and business service industries moving to the area, Woodstock has also become a space to support careers in these industries.

Graph 2: Job Types in the Southern Region



* The graph was created using figures from Quantec Easy Data

According to 2011 census data, approximately half (52 percent) of Woodstock residents are employed; the rest are either not economically active (37 percent), unemployed (9 percent), or discouraged work seekers (2 percent). Although employment has grown in the area, there remains a significant number of households who are not economically active (children, students, and pensioners) or are unemployed (note that there are households with unemployed members that may have been missed in the census in 2011).

Political environment in Woodstock

Woodstock is a historically relevant suburb with growing investment and development potential. Wenz (2012) suggests that increased market deregulation after the end of apartheid allowed property developers to do whatever they liked. The level of gentrification and the resistance to re-development in the area suggest that this may be true. The local government, the City of Cape Town Municipality, has been given the task of establishing policies and strategies that will support the ongoing positive changes in the area. The following list identifies the key strategies adopted by the City of Cape Town, targeted at the Woodstock and/or the inner-city region.

- Cape Town Partnership, 1999.

- Urban Development Zone, 2003.
- Cape Town Integrated Development Plan, 2012.
- Transport Oriented Development Strategy, 2016.

The Cape Town Partnership (CTP), founded in 1999, is a public-private partnership (PPP) between the City of Cape Town, the private sector, and the South African Property Owners Association (SAPOA). It aims to promote the inner city as a “destination for global business, investment, retail, entertainment and leisure”. By the 2000s the City of Cape Town was able to create optimal conditions for investment from private and governmental parties (Development Action Group, 2018).

In 2003, the City of Cape Town began enforcing the National Urban Development Zone which promoted urban renewal throughout the city. This strategy provides tax breaks for developers interested in investing in inner-city areas. Through this model, the City of Cape Town and the national government established the Built Environment Performance Plan (BEPP) and identified two key corridors for urban regeneration – the southeast Metro and the Voortrekker Corridor (which begins in Woodstock).

Other strategies, such as the Integrated Development Plan, seek to provide social housing in the Woodstock-Salt River area, and the Transport Oriented Development Strategy offers an integrated strategy based on the spatial integration of transport, housing, and services, and on strengthening densification.

The implementation of these strategies points to their being a clear move to refurbish and develop Woodstock. These strategies have fostered the establishment of new businesses in the neighbourhood and prioritised the clean-up and restoration of an area experiencing urban decay. These strategies, which were well-intentioned, have sped up the gentrification process. Property prices have increased and households who have historically rented units in the Woodstock area for generations have suddenly faced rent hikes from landlords catering to more affluent tenants. This has pushed out some of the local population and led to evictions amongst poorer/low-income households.

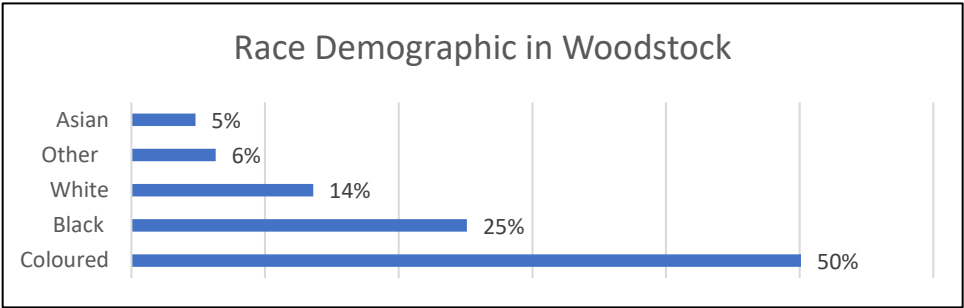
Several non-profit organisations and social movements have emerged to fight the gentrification of the inner-city and evictions of local households in areas like Woodstock. Organisations such as Ndifuna Ukwazi, Reclaim the City, and the Woodstock Hub play a leading role in challenging the government to end the eviction of low-income households. A popular argument amongst housing activists is that gentrification only benefits the wealthier population. It brings economic development to an area but

at a cost to the poorer local population. This has been experienced in Woodstock, as the area is transformed to suit the creative industries and young professionals, who are wealthier than locals. Here, rents and the prices of, amenities, and services have been driven up. Although this is the case, there are still pockets of Woodstock that serve lower-income households. Another important point to note is that the earlier decay of Woodstock may have decreased the proportion of middle-class households in the neighbourhood, but with gentrification, these households are simply moving back. This pendulum motion of gentrification could be a similar experience in other suburbs.

Social cohesion in Woodstock

Woodstock is home to the following racial mix.

Graph 3: Race Demographics in Woodstock



* The graph was created using figures from Quantec Easy Data

The population of the suburb is mixed, with Coloured, Black, and White residents. The local population is mostly between the ages of 20 and 39 years old. This is a relatively young population, with more students, young professionals, and creatives moving to the area each year. It can be argued that Woodstock has retained the diverse demographic mix of its early years as a neighbourhood.

Despite the historical identity and social cohesion created by the Open Woodstock Campaign and the diverse character of the area, there is considerable mistrust between residents, private developers, and local government (Hirsch, 2021). Much of this owes to the changing economic dynamic and displacement and eviction of lower-income households. The Development Action Group and other civil society NGOs regularly call for deeper and more frequent communication between Woodstock residents and local government. A lack of human and financial resources, however, limits the efforts of local government to foster a relevant level of communication with residents. This lack of government intervention may exacerbate the tension between the two groups (Hirsch, 2021). As

gentrification continues in Woodstock, buildings with invasive walls and security measures isolate residents from their own community (Development Action Group, 2018).

The urgent need for housing in the city is ongoing. The City of Cape Town recently announced its intention to implement approximately 240 new affordable housing units in the area. This may, if implemented, defuse the tension between residents, private developers, and local authorities.

“It is midday at the Woodstock Exchange, a cavernous ex-industrial warehouse, now home to cafes where hipsters, tourists, and workers from the design and tech businesses upstairs fuel up on flat whites and peruse items like artisanal organic chocolate and leather laptop sleeves. In the quiet of a spacious storeroom tucked behind a stairwell, Quintin Moos takes his lunch surrounded by neatly stacked cans of paint, stepladders, and the tools of this maintenance man’s trade. “We are still hanging in the air, we don’t know where our future lies,” Quintin says of development plans for the Pine Road informal settlement, which he has called home for over 20 years. Just 500 meters from the sleek lines of the Woodstock Exchange, settlements like Pine Road, though rare, exist in part because of the lack of a comprehensive programme of affordable housing in the inner city of increasingly urbane Cape Town. But this could finally be changing” (Development Action Group, 2018).

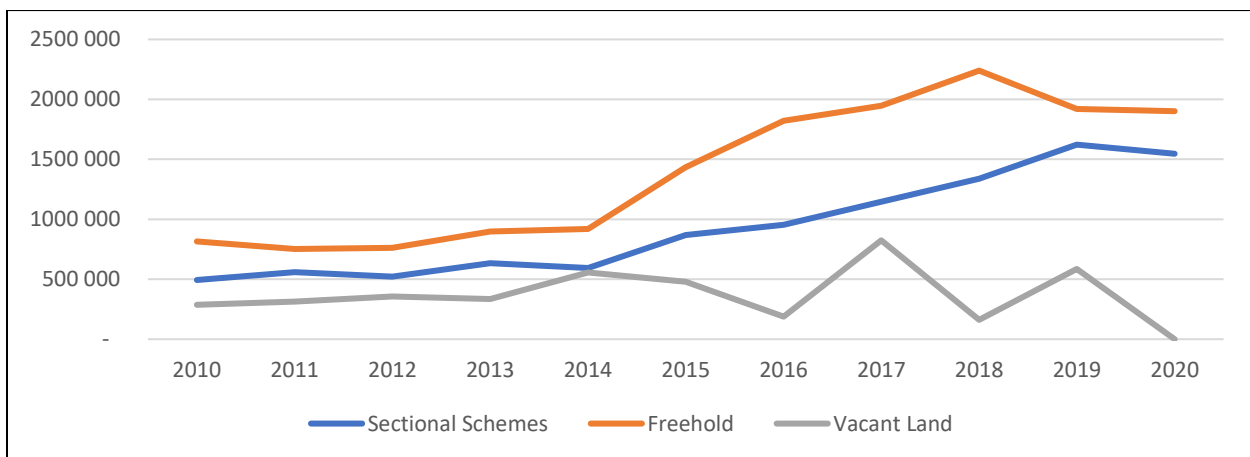
The socio-political atmosphere in Woodstock is largely centred around the experience of gentrification in the area. An additional consideration is the level of crime and how it links to social and political cohesion. Many may see the removal of lower-income households as a way to eradicate crime. This approach to security and crime prevention does not necessarily mean that levels of criminal activity would decrease although it may (Johnson, Guerette and Bowers, 2014); people can still commit crimes in areas where they do not reside. Even if crime is reduced through the removal of low-income households this would simply displace crime into further marginalised areas where there are fewer resources for policing. The displacement of low-income people symptomatically treats the problem to the benefit of certain individuals but does not address the root causes of crime. Instead of trying to eradicate crime in this way, mechanisms to provide more effective prevention could be introduced to improve the situation (Johnson, Guerette and Bowers, 2014) e.g., through public services job creation, sports and cultural programs, integrated policing, and other services.

Analysis of the property market

Since the first democratic elections in South Africa and the subsequent influx of investment into the country, private developers have discovered the potential for development in Woodstock (Wenz, 2012).

When developers invest in a neighbourhood, prices (sales and rental) of property increase as the housing market stock is improved. Additionally, retail outlets, general amenities and services are improved to support the upgrading of the housing stock. This ultimately pushes out lower-income households, who cannot afford the increased housing prices and rents, and the amenities in the surrounding area. The following graph depicts the change in property prices in Woodstock over the last 10 years.

Graph 4: Median Deflated Property Prices in Woodstock in 2020 Prices

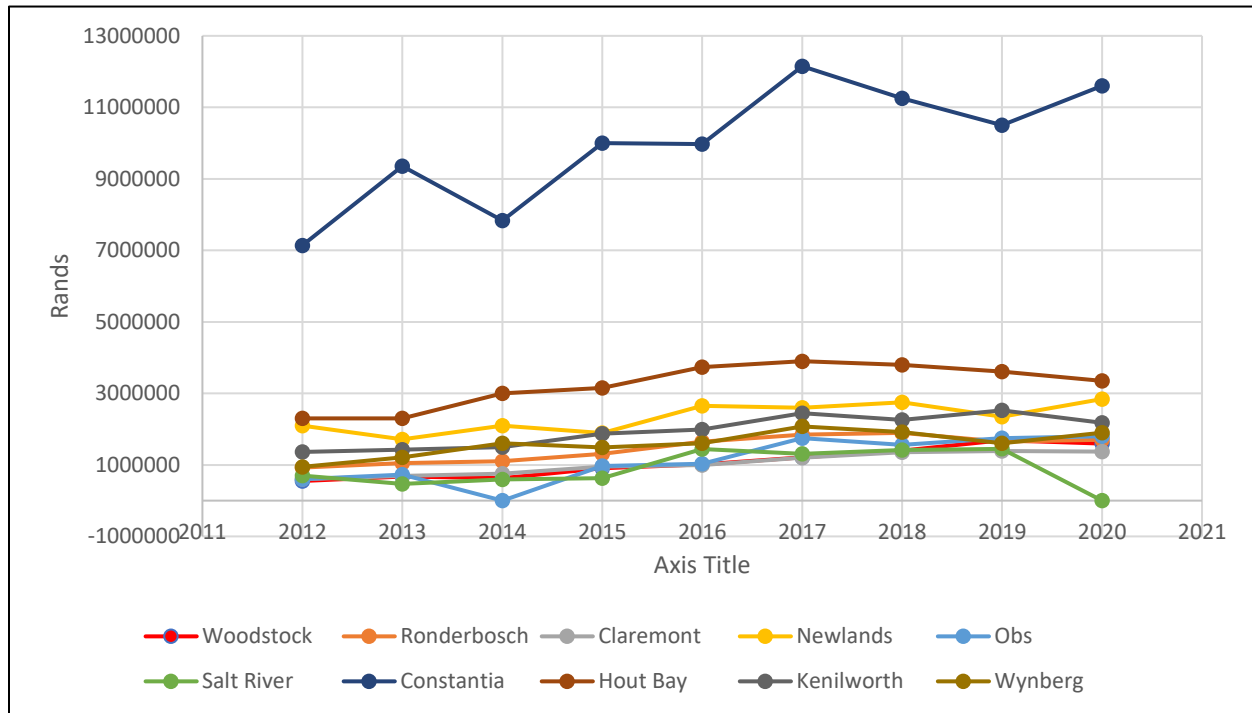


*Graph created using property selling prices provided by Lightstone Transfer Reports.

Prices for freehold and sectional schemes (apartments/flats) increased throughout 2014 to 2018. This increase in property prices could be due to gentrification. Property becomes more attractive to home buyers who look for convenience, affordability, and accessibility. This trend can also be explained by the housing market responding to an increase in inflation since 2015 (from an average CPI of 4,6 in 2015 to 6,1 in 2016) (StatsSA, 2022). For freehold property, since 2018, and sectional title, since 2019, prices have begun to decline. The decline in prices for property in the area, and Cape Town generally, may be due to disinvestment in the country, as credit rating agencies downgraded South Africa’s rating to junk status as well as an ongoing electricity crisis, ultimately affecting productivity and GDP.

Freehold properties in Woodstock are cheaper in comparison to a handful of suburbs with a similar racial and socio-economic mix like Hout Bay, Wynberg, and Kenilworth. Property prices in Woodstock are in line with those of Salt River and Observatory. A suburb like Hout Bay (see Appendix B) has a considerably broader income mix than that in Woodstock and higher property selling prices.

Graph 5: Selling Price for Freehold Property in Multiple Cape Town Suburbs



*Graph created using Lightstone Property Reports

An important question to ask is whether other suburbs in Cape Town that are similar to Woodstock can hold inclusionary housing developments. A suburb such as Hout Bay may be a potential candidate for inclusionary housing, but this may depend on the land parcels available in the area, among other factors. As a proxy to understand the effect of inclusionary housing on the selling price of property, a regression model was used to test the relationship between the distance between low-income housing and the selling price of freehold property in Hout Bay; Appendix B. The result from the regression model shows that, in an otherwise affluent area, proximity to low-income housing tends to depress property prices. This is a relevant consideration for policymakers, suggesting that too extreme an injection of low-income housing can be problematic for property prices. The original intention behind Imizamo Yethu was to formalise the issue of informal housing in the wetland area (Anciano and Piper, 2018). However, when the city provided land further up the hill it proved unable to restrict

access to it. A question to ask is whether this policy was flawed, or the execution of it. Additionally, it is important to consider that political realities may stand in the way of making inclusionary housing a social reality in South Africa today.

With limited economic growth in the country, households face an increase in prices and standard of living, without receiving an increase in income. Naturally, households will cut down on consumption and spending and are more prudent with their savings, and so are less likely to invest in property. The following table highlights household spending in the southern region.

Table 3: Household Spending in the Southern Region and Cape Town

Household Spending	Southern Region	
	Percentage portion 2008	Percentage portion 2018
Durable goods: Furniture, household appliances, etc	1%	2%
Durable goods: Personal transport equipment	6%	5%
Durable goods: Computers and related equipment	0%	0%
Durable goods: Recreational and entertainment goods	1%	2%
Other durable goods	1%	1%
Clothing and footwear	3%	4%
Semi-durable goods: Household textiles, furnishings, glassware, etc	1%	1%
Semi-durable goods: Motor car tyres, parts and accessories	1%	1%
Semi-durable goods: Recreational and entertainment goods	1%	1%
Semi-durable goods: Miscellaneous goods	0%	1%
Non-durable goods: Food, beverages, and tobacco	19%	17%
Non-durable goods: Household fuel and power	3%	3%
Non-durable goods: Household consumer goods	3%	3%
Non-durable goods: Medical and pharmaceutical products	2%	2%
Non-durable goods: Petroleum products	3%	3%
Non-durable goods: Recreational and entertainment goods	1%	1%
Service: Rent	15%	14%
Service: Household services, including domestic servants	3%	4%
Service: Medical services	9%	9%
Service: Transport and communication services	8%	9%
Service: Recreational, entertainment and educational services	6%	6%
Service: Miscellaneous services	11%	11%

*Table created using Census Data from 2011

Households in the area spend the largest proportion of their disposable income on food, beverages and tobacco, rent and miscellaneous services (including insurance). These items are price inelastic (except tobacco) which means that no matter the price their demand is likely to stay fixed. Between

2008 and 2018 spending on food, beverages and tobacco decreased which may be due to the decreases in consumer inflation; by 2019 the average Consumer Price Index (CPI) decreased from 4,7 in 2018 to 4,1 (StatsSA, 2022). However, since 2020 inflation has increased, and goods have become more expensive for households (StatsSA, 2022).

Rental services in the southern region (14 percent of spending) is higher than in the rest of Cape Town which sits at 11 percent of household spending. This is higher in the southern region because the area is generally more affluent. Rental in Cape Town is significantly high, in comparison to other cities in South Africa (Property24, 2020). In Woodstock particularly, the average rental in the area for a one-bedroom apartment or flat is between R7 000 and R8 000 per month. This average has been calculated using the available properties advertised on the market in Woodstock currently. The trend in average rental price matches trends in other southern suburbs of Cape Town.

Income affordability varies across households, as spending and consumption levels differ. This makes it difficult to identify a universal measure of affordability that is appropriate for all incomes. However, assuming that one third of income can be spent on accommodation, the R7 000 – R8 000 mean rental of a one room flat in Woodstock, in 2019 prices, means that only those earning more than R232 352 per annum would be able to afford to stay in the area. See Table 4.

Table 4: Annual Household Income and Rental Affordability

Annual Income	Portion of Households in Woodstock	Median Income	Rental Affordability 30 percent of income
No Income	9%	0	0
R 1- R7 261	1%	R3 631	R 90.77
R7 262- R14 522	2%	R 10 892	R 272.31
R14 523- R29 044	7%	R 21 784	R 544.59
R29 045- R58 088	10%	R 43 567	R 1 089.16
R58 089- R116 176	14%	R 87 132	R2 178.31
R116 177- R232 351	20%	R 174 264	R4 356.60
R232 352- R464 702	20%	R 348 527	R8 713.18
R464 703- R929 404	13%	R697 054	R 17 426.34
R929 405- R1 858 808	3%	R 1 394 107	R 34 852.67
R1 858 809- R3 717 616	0%	R 2 788 213	R 69 705.32
R3 717 617 +	0%	R3 717 617 +	R 92 940.43

The descriptive statistics in this table were drawn from 2011 Census data. The annual income brackets have been adjusted for inflation using the Consumer Price Index changes over the period 2011 to 2019.

Households in the lower-income categories would not be able to rent in Woodstock, based on their median income. Looking at a distribution of rents in the suburb, Property24 advertised rental units from a minimum of R5 500 (for 26m²) to a maximum of R14 500 (for 120m²). From this, it can be argued that there are options for lower middle- and lower-income earning households to rent in the area, but the number of units available is limited. These lower prices attract students and young professionals, and further drive up demand for residential development in this price range.

Households that have historically rented in the area cannot afford these rentals and, as with the freehold property market, are pushed out of the rental market, often because of increasing levies attached to housing. According to NU, inclusionary housing should be based on average income rather than the prevailing market, and a household should spend no more than one-third of its monthly income on rent or mortgage repayments (Ndifuna Ukwazi, 2018a). If levies increase more significantly than residents can afford, rental and levies associated with affordable housing units would need to be subsidised by the state, and or landlords. Ultimately with the principle of affordable housing, if rentals and levies increase the incurred additional costs will not accrue to tenants but rather to other parties involved. This is important to consider when investing in such housing schemes in that it makes inclusionary housing a tax and like many taxes, it has a disincentive effect.

As table 5 shows, 67 percent of Woodstock residents earn between R29 045 and R929 404 each year at 7 percent interest.

Table 5: Annual Household Income and Bond Affordability in Woodstock

Annual Income in 2019	Portion of Households in Cape Town	Portion of Households in Woodstock	Bond Affordability for houses
No Income	14%	9%	0
R 1- R7 261	3%	1%	R23 410
R7 262- R14 522	4%	2%	R46 820
R14 523- R29 044	11%	7%	R93 641.30
R29 045- R58 088	16%	10%	R187 321.29
R58 089- R116 176	14%	14%	R374 603.89
R116 177- R232 351	13%	20%	R749 246.48
R232 352- R464 702	12%	20%	R1 498 454.27
R464 703- R929 404	9%	13%	R2 996 908.54

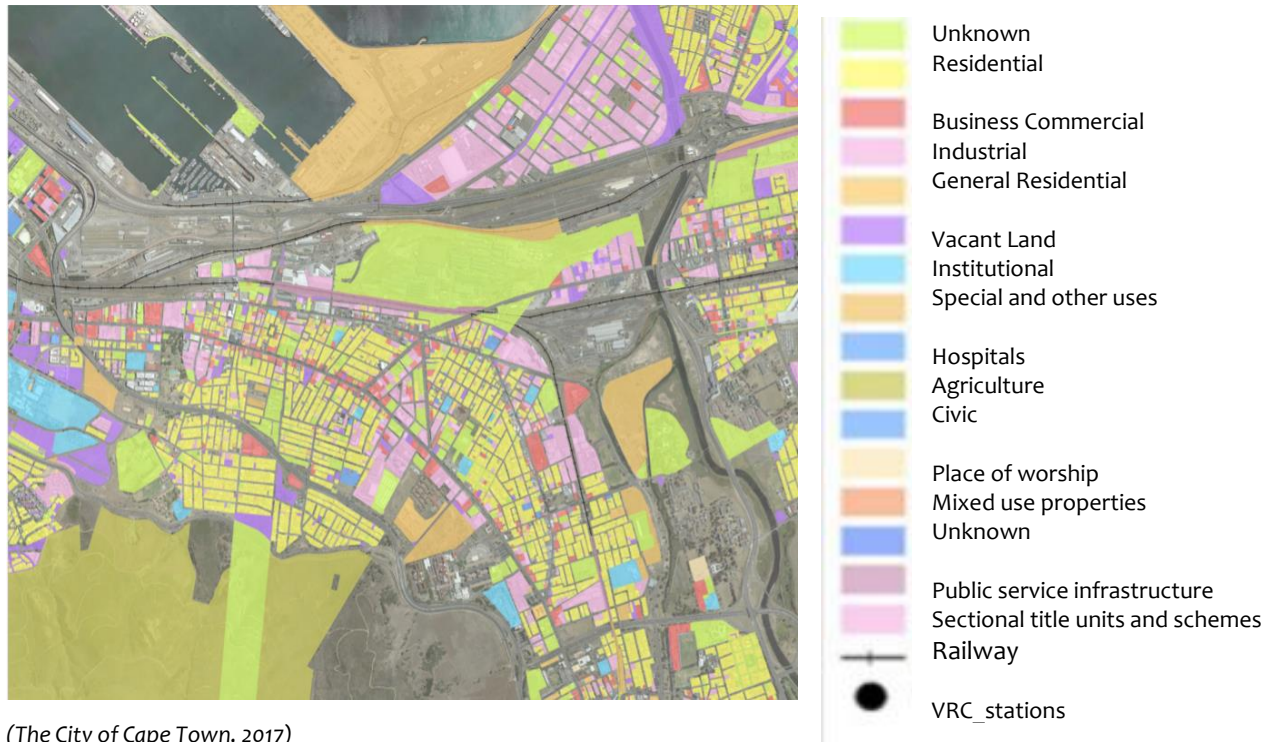
Annual Income in 2019	Portion of Households in Cape Town	Portion of Households in Woodstock	Bond Affordability for houses
R929 405- R1 858 808	4%	3%	R5 993 855.77
R1 858 809- R3 717 616	1%	0%	R11 987 672.85
R3 717 617 +	0%	0%	R11 987 672 upward

* Table created using Census Data and the First National Bank Bond Affordability Calculator

This 67 percent of households in Woodstock would qualify for a First National Bank (FNB) mortgage of between R187 321,29 and R2 996 908,54 for 240 months at a 7 percent interest rate. The bond affordability shown in the table has been calculated using the FNB Bond Calculator. Households earning R29 045 per annum would qualify for a R187 321,29 bond. Current market prices for property in Woodstock is well below the price of the cheapest freehold accommodation in the area; in 2022 the cheapest advertised property is R1 195 000 for a two bedroom (taken from Property24). This does not cater to the majority of local residents with low-income status. According to graph 3, sectional title housing units were approximately R1,6 million on average while freehold property sold for R2 million in 2019. According to the earning profile of Woodstock, only 16 percent of residents could afford both housing options. This is limiting and highlights the fact that the majority of residents in the area cannot afford to purchase housing, ultimately pushing them out to more affordable- and likely peripheral- areas.

Rawson Property notes several new retailers entering the Woodstock development area, including shopping malls like The Old Biscuit Mill and Neighbourhoods Market, The Palms Lifestyle Centre, and Bromwell Boutique Mall (Rawson Property, 2021). Storefront retail facilities are also found along the Main Road in Woodstock and Salt River. In addition to this, Ecamp Data provided by the City of Cape Town, points out that office rentals in the Salt River/Woodstock area increased by 106 591m² between 2005 and 2015 (City of Cape Town, 2015). Office space rental in the area is more affordable than in the broader Cape Town region (Rode and Lamprecht, 2021); Woodstock offers cheaper office space, i.e. grade level B and C type rentals in comparison to other growing business nodes such as the Cape Town CBD, and Claremont CBD. This ultimately attracts businesses to set up in the area. The following figure maps out the land use in the Salt River and Woodstock areas in 2017.

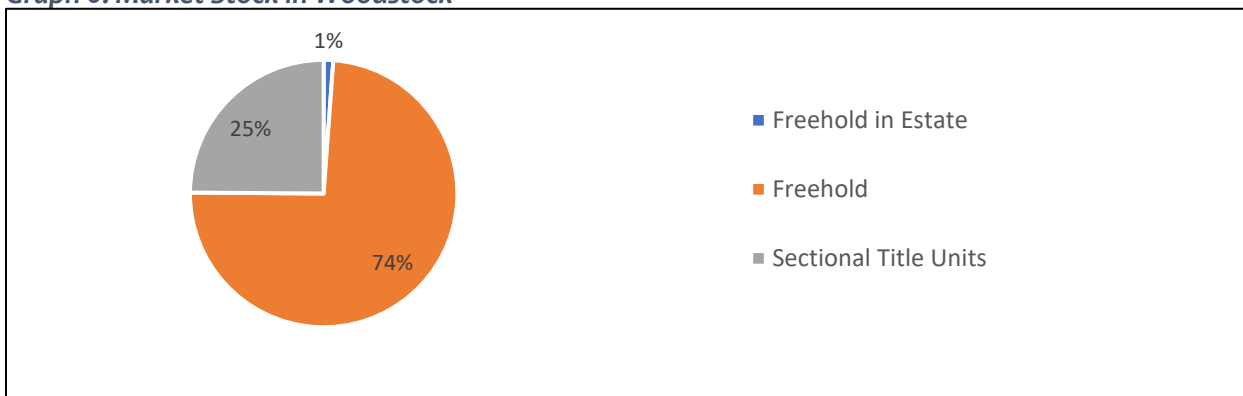
Figure 4: Land Use in Salt River and Woodstock



(The City of Cape Town, 2017)

Well-located areas often tend to be in “city centres and surrounds, along transport corridors and nodes and in former white only suburbs and contribute to mixed-use buildings and precincts” (Ndifuna Ukwazi, 2018:1). In recent years, the area has seen the development of student residences, as it is located near to the University of Cape Town, the Cape Peninsula University of Technology, small micro-apartments for young professionals and small households, retail and office space for finance and technology start-up businesses, and creative industries for artists in the city. The market stock of property available in Woodstock is depicted in the pie chart below.

Graph 6: Market Stock in Woodstock



* The graph was created using figures from Quantec Easy Data

Services and public goods in the area include hospitals, schools, and a public hall and library. There are large hospitals, Groote Schuur Public Hospital and Christian Barnard Memorial Hospital, that support the residents of Woodstock, and in addition there are public clinics for residents to access. Woodstock has a number of primary schools (such as Mountain Road Primary School or Saint Agnes's Primary School) and colleges (AFDA Cape Town, FET College of Cape Town) (Lightstone, 2020) and, as mentioned, is close to the University of Cape Town, the Cape Peninsula Institute of Technology, and schools in the CBD. Residents of Woodstock are served by the Woodstock police force and are within walking distance of various shops and retail amenities. The suburb is accessible by many roads and has public transport routes including bus services, taxis and trains, entering and exiting the area. The development of Woodstock brings investment opportunities to the area. In the future, additional amenities will be developed if the property market continues to boom. All of these are factors likely to pull up rentals in the area over time and make it ripe for further redevelopment.

In summary, Woodstock has been a historically mixed area and has undergone waves of gentrification. As parts of Woodstock are regenerated, new and wealthier households in move, and push up prices for local residents of a lower income. This is the case even though in some parts of the neighbourhood gentrification has been resisted by the community. Developers have not yet developed new affordable housing in the area, and while some residents are comforted by having fewer low-income households in their proximity (which according to the regression results would also maintain higher property prices), others are frustrated with the local government for a lack of service provision. Even with the risk of crime associated with low-income households, the suburb retains features similar to those intended to emerge from inclusive housing developments.

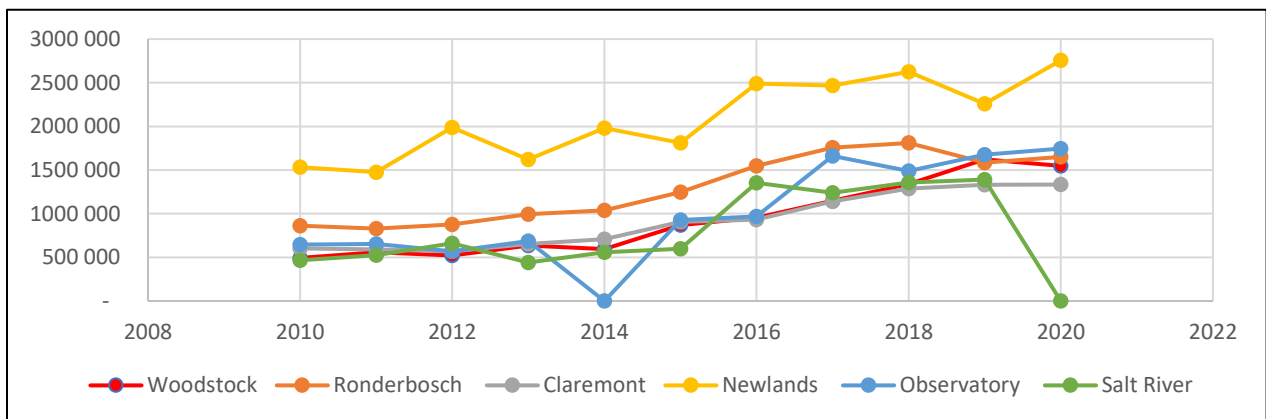
Lessons learned from the case study

The economy in Woodstock has seen a small increase over time. The gross geographic product has increased with substantial development and growing investment in the area. A recent trend in Woodstock is the emergence of start-ups and financial technology companies, renting the affordable office space in the area. The establishment of these companies essentially caters to a growing population of workers in tertiary occupations. Although this is apparent, unemployment in the area remains significant.

As a well-located inner-city suburb, Woodstock has undergone various waves of gentrification over a long period. Policy and planning departments have established various strategies to allow for the development of Woodstock, and other inner-city neighbourhoods. Woodstock remains home to different types of households, and because of this could cater to and support a diverse population. Social cohesion in the neighbourhood, however, is declining as established (low-income) residents feel isolated from their community and excluded by the wealthier population moving to the area. This leads to distrust and tension between the local population, private developers, and local government, who are perceived as lacking in the ability to protect and service local households.

Property prices in Woodstock have increased over time, which has pushed some local residents out of the area. This increasing trend is similar in areas surrounding Woodstock and is highlighted in the following graph.

Graph 7: Changing Property Prices in Neighbourhoods around Woodstock



* Graph created using Lightstone Report data provided for each suburb

The price of property in Newlands and Ronderbosch, which are both areas considered to be geared toward upper-income households, is higher than in Woodstock. These suburbs are further away from Woodstock, unlike Salt River and Observatory which border the neighbourhood. Prices in these border suburbs are lower than in Newlands and Ronderbosch, and they are considered to be geared to a middle-class and lower-income population. Given the results from the regression model in Appendix B, if inclusionary housing was established in Woodstock and low-income households were to move to the area, property prices in the surrounding neighbourhoods would be affected and are likely to decrease. The regression model highlights that with inclusionary housing and low-income households, like what is experienced in Hout Bay, selling price may decrease when houses are closer to low-income areas within a neighbourhood. This is supported by Hellen et al., 2019, who suggest a decrease in

property prices as a result of low-cost/low-income housing in an area; the reasoning for this would be due to a negative market effect and a population mix effect. Interestingly when investigating property price changes in Woodstock it is clear that prices have fluctuated and increased and decreased over time. The reason for this may be that on average, property prices in the neighbourhood typically followed similar trends to that of other suburbs in Cape Town.

Understanding what has happened in Woodstock over time helps to define criteria to identify suburbs that are inclusive in nature and may be able to support inclusionary housing- even if property prices decrease. Although the regression model shows that inclusionary housing and closeness to low-income housing may decrease property prices in an area like Hout Bay, this might not have the same effect in Woodstock as there may be other hedonic factors and characteristics of houses in these suburbs that impact price change.

This chapter explores the ways in which Woodstock has transformed over time. As an “inclusive” and “open” suburb the dynamics noted in Woodstock relate to, and should be considered when planning for, future inclusive housing strategies. The next chapter delves deeper into the advantages and disadvantages of inclusionary housing, using lessons learned from Woodstock as evidence and insight.

V. Should there be Inclusionary Housing in Cape Town?

This dissertation suggests that the case for inclusionary housing is mixed. There are several advantages and disadvantages of inclusionary housing that are associated with different members of society. The table below maps out these expected impacts on Cape Town society as a whole, given the research conducted in this dissertation.

Table 6: Advantages and Disadvantages of Inclusionary Housing

Disadvantages	Advantages
Opportunity costs associated with incentives for developers	Enhances spatial justice and social cohesion in the city
Risk of declining investment into neighbourhood	Provides housing to those who need it most
Costs associated with creating buy-in among society	Development in neighbourhood
The creation of inner-city slums	Upward mobility for low- and middle-income households
Potential abuse of the system	

The literature on inclusionary housing shows its use in a variety of contexts as a mechanism to achieve different objectives, for example, to enhance social cohesion in society and provide housing to those who need it most. Other uses for inclusionary housing are to reduce government spending and recapture land value. International examples often use incentives to create buy-in from property developers and investors, shifting the burden from the state to private developers. These incentives could be costly to implement and regulate, as inclusionary housing requires developers to forego profits that they would have made by developing in the open market. Given this, incentives would need to be significant to convince private developers to invest. Research shows that there are both global and local factors that affect property prices and the value of property. There is no consensus, however, on the likely impacts on property prices that would follow the introduction of an inclusionary housing policy in a neighbourhood. Authors highlight various impacts of inclusionary housing on property prices in neighbourhoods, but little is known about the generalised direction (positive or negative) in which these price changes are expected to move.

There is a need for housing in South Africa and in Cape Town. With the population growing in Cape Town, the backlog for housing remains an issue. In addition to this, the problems of exclusion and inequality remain widespread. The Group Areas Act set the tone for segregated spatial planning and its effects are still felt today. The national, provincial, and local governments have created a number of strategies and policies to tackle the lack of housing in the country and the need for inclusivity, but departments struggle with the implementation of these policies. The prevalent housing backlog and spatial segregation in South Africa, and in Cape Town particularly, have sparked conversations about inclusionary housing among government officials, property managers, and developers. The idea here is that it may be used as a mechanism to alleviate to some extent the housing backlog and bolster inclusivity and equal access to opportunities creating upward mobility for households. For inclusionary housing to be sustained, the following factors need to be regulated by the City and Social Housing Organisation or Developer: the level of income of eligible households that can rent or purchase units, the relationship between private developers and the inclusionary housing developments, the amount and type of incentive given to property developers, the legal terms around re-sale of inclusionary units to low-income households or developers, zoning and construction requirements, and the role of Social Housing and Inclusionary Housing Organisations in the development of inclusionary housing.

To understand the impact of inclusionary housing in a South African context, this dissertation investigates a case study that maps the change in property prices in Woodstock, a Cape Town neighbourhood. Historically, this neighbourhood is socially inclusive, well-located, and has significant economic potential. Over time, Woodstock has gone through waves of gentrification, changing the social mix, political atmosphere, and economy of the area. Creating buy-in from society, politicians, and developers is essential for inclusionary housing to be considered in Cape Town. Property prices in Woodstock have undergone increases and decreases over time. When looking at the effect that the distance between low-income housing and private properties has on the selling price of houses in Hout Bay, in Appendix B, it was found that the further away households are from the low-income area the higher the selling price. This suggests that households prefer to live further away from low-income housing. Although this is apparent in Hout Bay it may not be apparent in Woodstock, as in many ways these suburbs are similar, they are different as well.

This dissertation has shown that gentrification could allow Woodstock to sustain itself in that it brings in development and increases property prices, so that urban decay does not occur or is at least more manageable. Importantly, this gentrification needs to be regulated so that the lower-income

population is not squeezed out of the property market and out of the neighbourhood in general; it needs to allow for upward mobility and benefit those households that need it most. A way to ensure that this happens is to implement a low-income housing scheme such as inclusionary housing.

Next Steps: Thinking further about inclusionary housing

Given these findings, additional questions to ask about inclusionary housing are where it would be best suited in Cape Town and how to gather support and buy-in from society. Importantly, there would need to be acceptance, understanding and security in society so that higher-income and lower-income households can co-exist in the same neighbourhood with ease. From an investment point of view, the property market would need to be regulated in such a way that developers receive incentives to establish affordable units, and so that only lower-income households receive the affordable units. A question that this brings to the fore is whether regulation can be placed on the re-sale of units and on the ability to pass down units to low-income family members. If these units are only rented and sold to low-income households, what is the incentive to improve properties and ensure upward social mobility? Following this thinking, another question arises around whether it will be enough to cap the re-sale price of inclusionary units to ensure low-income households can access the opportunity.

The City of Cape Town would need to maintain and manage the development of the suburb to curb the potential forming of inner-city slums (as lower-income households move into the neighbourhood with less disposable income for maintenance). In this sense, gentrification may be a good thing to bring economic activity to the area to sustain and maintain it operating at a suitable level. Additionally, the city would need to identify appropriate land parcels for the development of inclusionary housing; this will be a seemingly difficult task to undertake.

Given the many challenges and constraints with inclusionary housing, this dissertation argues that it should not be designed to provide housing to all but should exist in combination with other housing schemes and policies. The emphasis should be placed on using this type of housing to bolster social cohesion in Cape Town and to allow for upward social mobility for lower-income households, whilst considering the potential impact it may have on property prices and the market.

Limitations of the study

This study provides conclusions to the inclusionary housing question that are logical and presented in terms of the achievement of the research, however as this research has been conducted using a mixed method within a qualitative framing, the limitations of this study must be acknowledged. In particular, the findings in this dissertation with respect to the Woodstock case are not necessarily transferable to other urban precincts. There may also be additional factors that could impact the social, political, and economic environment in different suburbs. Further research and investigation on the economic costs and benefits of inclusionary housing must be undertaken to make a rigorous and sound conclusion on the impact of implementing inclusionary housing.

Bibliography

Anciano, F.& Piper, L. 2018. Upgrading Imizamo Yethu. *Democracy Disconnected*. 143–165. doi: 10.4324/9781138541061-7.

Basolo, V. 2011. Viewpoint: Inclusionary housing: The controversy continues. *Town Planning Review*. 82(2). doi: 10.3828/tpr.2011.9.

Bosch Meda, J. 2009. How Urban Planning Instruments Can Contribute in the Fight against Homelessness: An International Overview of Inclusionary Housing. *European Journal of Homelessness*. 3(155–177). Available: <https://www.feantsaresearch.org/download/feantsa-ejh2009-article-64990301545660724506.pdf> [2022, February 8].

Capozza, D. R. Hendershott, P.H., Mack, C.& Mayer.C.J. 2002. Determinants of Real House Price Dynamics. *Nation Bureau of Economic Research*. doi: 10.3386/w9262.

Center for Affordable Housing Finance. 2019. 2018 changes to FLISP hold potential to support residential resale market. Available at: <https://housingfinanceafrica.org/documents/2018-changes-to-flisp-will-support-housing-market/> [2023].

City of Cape Town 2012. Integrated Human Settlements Five-Year Plan. Cape Town: City of Cape Town Printer. City of Cape Town (2015) *ECAMP Business Location Intelligence*. Available at: <https://web1.capetown.gov.za/web1/ecamp>.

City of Cape Town. 2015. *ECAMP Business Location Intelligence*. Available at: <https://web1.capetown.gov.za/web1/ecamp> [2022, February 8].

City of Cape Town. 2018. *Municipal Spatial Development Framework*. Available at: [http://resource.capetown.gov.za/documentcentre/Documents/City strategies, plans and frameworks/Cape Town Metropolitan Spatial Development Framework_2018-04-25.pdf](http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies,%20plans%20and%20frameworks/Cape%20Town%20Metropolitan%20Spatial%20Development%20Framework_2018-04-25.pdf) [2019].

City of Cape Town. 2019. 2019 / 20 - 2021 / 22 BUDGET. Available at: [http://resource.capetown.gov.za/documentcentre/Documents/Financial documents/AnnexureA_1920Budget_May2019_Final.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/AnnexureA_1920Budget_May2019_Final.pdf) [2019].

City of Johannesburg. 2019. *Inclusionary Housing: Incentives , Regulations and Mechanisms*. Available: [https://www.joburg.org.za/documents_/Pages/Key%20Documents/policies/Development%20Planning %20-%20EF%BC%86%20Urban%20Management/Citywide%20Spatial%20Policies/City-Wide-Spatial-](https://www.joburg.org.za/documents_/Pages/Key%20Documents/policies/Development%20Planning%20-%20EF%BC%86%20Urban%20Management/Citywide%20Spatial%20Policies/City-Wide-Spatial-)

Policies.aspx [2019].

Cohen, V. and Karpavičiūtė, L. 2017). The analysis of the determinants of housing prices. *Independent Journal of Management & Production*. 8(1): 49–63. doi: 10.14807/ijmp.v8i1.521.

Constitutional Assembly. 1996. The Consitution. Available at:
<https://www.justice.gov.za/legislation/constitution/saconstitution-web-eng.pdf> [2020].

Davis, R. 2019. Provision of adequate land and housing has been one of democratic SA's failures. *Daily Maverick*. Available at: <https://www.dailymaverick.co.za/article/2019-04-26-provision-of-adequate-land-and-housing-has-been-one-of-democratic-sas-failures/> [2019].

Department of Human Settlements. 2009. The National Housing Code: Social & Rental interventions - Part 3 Social Housing Policy.(6).

Department of Human Settlements. 2015. *The National Housing Code*. Available at:
https://static.pmg.org.za/211201_-_1_Vol_6_Community_Residential_Units1.pdf.

Department of Human Settlements (2018) 2018/19. Available at:
http://www.dhs.gov.za/sites/default/files/u16/2018-19_DHS_ANNUAL_REPORT_WEB.pdf.

Development Action Group. 2018. Re-imagining Woodstock and Salt River Contents. Available at:
<https://www.dag.org.za/wp-content/uploads/2019/11/dag-re-imagining-woodstock-and-salt-river-publication.pdf> [2019].

Ellen, I. G., Schwartz, A. E., Voicu, & Schill, M. H. 2007. Does federally subsidized rental housing depress neighborhood property values?. *Journal of Policy Analysis and Management*. 26(2):257–280. doi: 10.1002/pam.20247.

Garside, J. 1993. Inner City Gentrification in South Africa : The Case of Woodstock , Cape Town. *GeoJournal*. 30(1): 29–35.

Google Maps. 2019. Woodstock Map. Available at:
<https://www.google.co.za/maps/place/Woodstock,+Cape+Town/@-33.9220725,18.4525959,13.6z/data=!4m5!3m4!1sox1dcc5da25b1b83cb:0x9528ebc70c50cb86!8m2!3d-33.929413!4d18.4497262> [2020].

- GroundUp. 2017 .*Everything you need to know about government housing*. Available at: <https://www.groundup.org.za/article/everything-you-need-know-about-government-housing/>.
- Hickey, R. 2013. *After the Downturn: New Challenges and Opportunities for Inclusionary Housing*. Center for Housing Policy. Available at: [http://www.cityofventura.net/files/file/After the Downturn - New Challenges and Opportunities for Inclusionary Housing \(February 2013\).pdf](http://www.cityofventura.net/files/file/After%20the%20Downturn%20-%20New%20Challenges%20and%20Opportunities%20for%20Inclusionary%20Housing%20(February%202013).pdf) [2019].
- Hirata, H., Kose, M., Otrok, C. & Terrones, M. 2013. Global House Price Fluctuations: Synchronization and Determinants. *IMF Working Papers*. 13(38), p. 1. doi: 10.5089/9781475523621.001.
- Hirsch, M. 2021. Evicted Woodstock residents fight for fair housing. *New Frame Socail Justice Publication*. Available at: <https://www.newframe.com/evicted-woodstock-residents-fight-for-fair-housing/> [2022].
- Hollingshead, A. (2015) 'Do Inclusionary Housing Policies Promote Housing Affordability? Evidence from the Palmer Decision in California', (December).
- Hollingshead, A. 2015. Do Inclusionary Housing Policies Promote Housing Affordability? Evidence from the Palmer Decision in California. Available: <https://www.lincolnst.edu/sites/default/files/pubfiles/hollingshead-wp15ah1.pdf> [2019].
- Housing Act, No. 107 of 1997*. 1997. Pretoria.
- Hughen, W. K. and Read, D. C. 2014. Inclusionary Housing Policies, Stigma Effects and Strategic Production Decisions. *Journal of Real Estate Finance and Economics*. 48(4), pp. 589–610. doi: 10.1007/s11146-013-9402-7.
- Jiang, L., Phillips, P. C. B. and Yu, J. 2014. A New Hedonic Regression for Real Estate Prices Applied to the Singapore Residential Market. *SSRN Electronic Journal*, (1969). doi: 10.2139/ssrn.2533017.
- Johnson, S. D., Guerette, R. T. and Bowers, K. 2014. 'Crime displacement: what we know, what we don't know, and what it means for crime reduction. *Journal of Experimental Criminology*. 10(4): 549–571. doi: 10.1007/s11292-014-9209-4.
- Klug, N., Rubin, M. and Todes, A. 2018. Inclusionary housing policy : a tool for re-shaping South Africa ' s spatial legacy ?. *Journal of Housing and the Built Environment*. 28(40) Special Issue Title : More than twent', 28(4).
- Lightstone. 2020. *Woodstock Suburb Report*. Available at: [file:///C:/Users/Nurlzeni/Desktop/PUBH1102/Week 9 Online Module/st lucia report.pdf](file:///C:/Users/Nurlzeni/Desktop/PUBH1102/Week%209%20Online%20Module/st%20lucia%20report.pdf) [2022].

- Maass, S. 2012. Rent control: a comparative analysis. *Potchefstroom Electronic Law Journal*. Available: http://www.scielo.org.za/scielo.php?script=sci_arttext&pid=S1727-37812012000400003 [2022].
- Macrotrends. 2022. *South Africa Urban Population 1960-2023*. Available: <https://www.macrotrends.net/countries/ZAF/south-africa/urban-population> [2022].
- McGaffin, R. 2018. *Housing in Cape Town in 2018: A Draft Discussion Document*. 1–10. Cape Town.
- Musvoto, E. M. and Mooya, M. M. 2016. Planning, Housing Policy and Low Income Housing. 209–218. Available: <https://openbooks.uct.ac.za/uct/catalog/download/5/7/204?inline=1> [2022]
- Nagaraja, C. H., Brown, L. D. and Zhao, L. H. 2011. An autoregressive approach to house price modeling. *Annals of Applied Statistics*. 5(1): 124–149. doi: 10.1214/10-AOAS380.
- Ndifuna Ukwazi. 2018a. *Defining Spatially Just Inclusionary Housing*. 1. Cape Town
- Ndifuna Ukwazi. 2018b. *Inclusionary Housing Should Mitigate Spatial Apartheid*. 1. Cape Town.
- Newton, C. and Schuermans, N. 2013. More than twenty years after the repeal of the Group Areas Act: Housing, spatial planning and urban development in post-apartheid South Africa. *Journal of Housing and the Built Environment* 28(4):579–587. doi: 10.1007/s10901-013-9344-7.
- Nguyen, M. T. 2005. Does affordable housing detrimentally affect property values? A review of the literature. *Journal of Planning Literature*. 20(1):15–26. doi: 10.1177/0885412205277069.
- du Preez, M. and Sale, M. C. 2012. Determining the impact of a low-cost housing development on nearby property prices using discrete choice analysis. *Journal for Studies in Economics and Econometrics*. 36(2):23–36. Available: <https://www.tandfonline.com/doi/epdf/10.1080/10800379.2012.12097237?needAccess=true&role=button> [2019].
- Property24 (2020) *Rent vs Salary | What South Africans can afford to spend on accommodation*. Available at: <https://www.property24.com/articles/rent-vs-salary-what-south-africans-can-afford-to-spend-on-accommodation/29908>.
- Property24. 2020. *Rent vs Salary | What South Africans can afford to spend on accommodation*. Available at: <https://www.property24.com/articles/rent-vs-salary-what-south-africans-can-afford-to-spend-on-accommodation/29908> [2022].

Rawson Property. 2021. *Spotlight on Woodstock, Salt River and Observatory*. Available at: <https://blog.rawson.co.za/spotlight-on-woodstock-salt-river-and-observatory> [2021].

Rode, E. G. and Lamprecht, K. 2021. *Rode's report*. 2021:1.

Santoro, P. F. 2015. Urban planning to provide affordable housing in infrastructured areas, with social cohesion, through the market: Real estate profitability or right to the city. 27–29. Available: <https://www.rc21.org/en/wp-content/uploads/2014/11/A2-PaulaFreireSantoro.pdf> [2019].

SAPOA. 2018. *Inclusionary Housing: Towards a new vision in the City of Jo'burg and Cape Town Metropolitan Municipalities*. Pretoria.

Schuetz, J., Been, V. and Meltzer, R. 2008. The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas. *Furman Center for Real Estate and Urban Policy*. 212:1–13. Available at: <http://furmancenter.org/files/publications/IZPolicyBrief.pdf>.

Schuetz, J., Meltzer, R. and Been, V. 2011. Silver Bullet or Trojan Horse? the effects of inclusionary zoning on local housing markets in the United States. *Urban Studies*. doi: 10.1177/0042098009360683.

Sence, S., Willem, T. and Altes, K. K. 2014. The applicability of inclusionary housing (IH) in Turkey. *Journal of Housing and the Built Environment*. 29 (3): 507–520. doi: 10.1007/s10901-013-9358-1.

South African Presidency. 1994. *White Paper on Reconstruction and Development Programme (RDP)*. 353. Pretoria.

StatsSA. 2019. *Midyear population estimates 2019*. Available: <https://www.statssa.gov.za/publications/P0302/P03022019.pdf> [2019].

StatsSA. 2022. *CPI History*. Available: <https://www.statssa.gov.za/publications/P0141/CPIHistory.pdf> 2022.

The City of Cape Town. 2017. *Woodstock , Salt River and Inner City Precinct Affordable Housing Prospectus*. Cape Town.

The World Bank. 2022. *Population, total - South Africa*. Available at: https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ZA&most_recent_year_desc=true [2022].

Tissington, K. 2011. *A Resource Guide to Housing in South Africa 1994-2010: Legislation, Policy, Programmes and Practice*. Available: https://housingfinanceafrica.org/app/uploads/SERI_A-Resource-Guide-to-Housing-in-South-Africa_Feb11.pdf [2019].

Trading Economics. 2019. *South Africa Unemployment Rate*. Available: <https://tradingeconomics.com/south-africa/unemployment-rate> [2019].

Tsatsaronis, K. and Zhu, H. 2004. *What drives housing price dynamics : cross-country*. Available: https://www.bis.org/publ/qtrpdf/r_qto403f.pdf [2019].

Unequal Scenes. no date. *Hout Bay/Imizamo Yethu*. Available at: <https://unequalscenes.com/hout-bay-imizamo-yethu> [2022].

United Nations. 1991. *United Nations Human Rights Website - Treaty Bodies Database*. Available at: <https://www.globalhealthrights.org/wp-content/uploads/2013/10/CESCR-General-Comment-No.-4-The-Right-to-Adequate-Housing1.pdf> [2019].

Verster, A. 2009. *The role of inclusionary housing policy in transforming South African cities*. Available: <https://repository.up.ac.za/bitstream/handle/2263/9356/Housing%20policy.pdf?sequence=1&isAllowed=y> [2019].

Wenz, L. 2012. *Changing Tune in Woodstock. International Journal of Community Research and Engagement*. 5:16–34. Cape Town: UCT.

Western Cape Government. 2021. *September Socio Economic Profile*. Available at: <https://www.westerncape.gov.za/provincial-treasury/files/atoms/files/SEP-LG 2021 - City of Cape Town.pdf>.

Western Cape Governments Department of Human Settlements. 2019. *Salt River affordable social housing opportunities and best practices in terms of other social housing forums: City of Cape Town briefing*. Available at: <https://pmg.org.za/committee-meeting/28769/>.

Appendix A: Ethical Approval



Faculty of Commerce

Private Bag X3, Rondebosch, 7701
2.26 Leslie Commerce Building, Upper Campus
Tel: +27 (0) 21 650 4375/ 5748 Fax: +27 (0) 21 650 4369
E-mail: com-faculty@uct.ac.za
Internet: www.uct.ac.za

 @Commerce UCT  UCT Commerce Faculty Office

24th May 2019

Ms Lauren Roode
School of Economics
University of Cape Town

Dear Ms Roode

REF: REC 2019/000/046

THE EFFECT OF INCLUSIONARY HOUSING POLICY ON PROPERTY PRICES IN CAPE TOWN

We are pleased to inform you that your ethics application has been approved. Unless otherwise specified this ethical clearance is valid for 1 year and may be renewed upon application.

Please be aware that you need to notify the Ethics Committee immediately should any aspect of your study regarding the engagement with participants as approved in this application, change. This may include aspects such as changes to the research design, questionnaires, or choice of participants.

The ongoing ethical conduct throughout the duration of the study remains the responsibility of the principal investigator.

We wish you well for your research.

Shandre Swain
Administrative Assistant
University of Cape Town
Commerce Faculty Office
Room 2.26 | Leslie Commerce Building

Office Telephone: +27 (0)21 650 2695 / 4375
Office Fax: +27 (0)21 650 4369
E-mail: sl.swain@uct.ac.za
Website: www.commerce.uct.ac.za <<http://www.commerce.uct.ac.za/>>

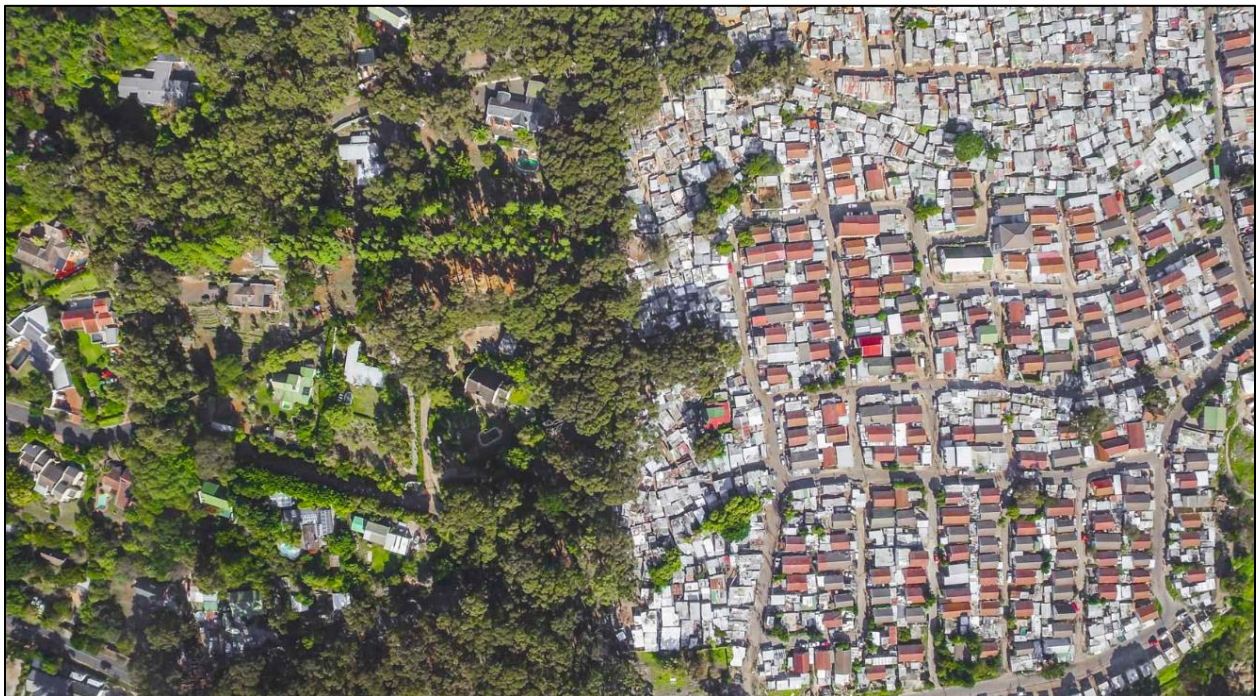
"Our Mission is to be an outstanding teaching and research university, educating for life and addressing the challenges facing our society."

Appendix B: Linear Regression Results

To support the argument that the selling price of freehold property would be affected by inclusionary housing, a regression analysis was conducted to estimate the effect of three hedonic variables on the selling price of freehold property in Hout Bay.

Note that Hout Bay is home to households of high and low income. The photograph below depicts this contrast in the area.

Figure 5: Hout Bay High-Income and Low-Income Property



(Unequal Scenes, no date)

Variables included in the regression are as follows:

- Dwelling size in m² (housesize) - refers to the size of the building on the property.
- Erf size in m² (erfsize) - refers to the total size of the property.
- Distance between free hold properties and low-income housing in kilometres (distancetolowincome) – refers to the distance between the property being sold and the nearest low-income area within the same neighbourhood, which in the case of Hout Bay would be Imizamo Yethu.

- Selling price of a freehold property (Price) – refers to the selling price of property in Hout Bay over 2011 to 2023.

The regression was run using STATA, and property price data and hedonic characteristics was provided by Seeff Hout Bay. The equation used to estimate the effect on house prices is:

$$Price = A\text{erfsize} + B\text{housesize} + C\text{distancetolowincome} + e$$

In the regression model, it is estimated that the selling price of freehold property is determined by the dwelling size, the erf size and the distance between free hold property and low- income housing. It must be noted that there are additional determinants of the selling price of property, which is captured in the error term e.

The output table from the regression is depicted in the table.

Table 7: Regression Output

Selling price in Rands	Coef.	Std. Err.	t P>t	Statistically Significant
Dwelling Size in m ²	6 765	757,9522	8.93 0.000	Yes
Erf Size in m ²	665	105,5161	6.31 0.000	Yes
Distance between house and low-income housing	364 268	161055,7	2.26 0.025	Yes
Constant	1 797 954	490998,1	3.66 0.000	Yes
Adjusted R Squared	0,5265			
F Statistic	56,59			
No. of observations	151			

Given the R squared, 53 percent of the sale price of a house in Hout Bay can be explained by referring to the three variables, erf size, the size of the house, and its distance from Imizamo Yethu, an area in which an initially small low-income community was allowed to settle in 1989. Once opened, it was not feasible to control the subsequent inflow of migrants to the site, which now holds roughly 34 000 residents. This history makes Hout Bay an interesting counter to the experience of Woodstock.

The results from the regression analysis shows that all independent variables are statistically significant. The distance between low-income housing and freehold property has a positive relationship with house selling price, in Hout Bay. This means that the greater the distance between the house and the low-income housing, the higher the selling price of the house. In other worlds, for

every kilometre between the house being sold and the low-income housing, the selling price of the house increases by R364 268. This suggests that households prefer to live further away from low-income housing, in Hout Bay. Additionally, the assumption is that the property price for houses will not change as significantly for those between 2km to 2.5km away, while for houses much closer to Imizamo Yethu, selling price may increase significantly for houses between 100m to 600m away.

It is estimated that an additional meter squared of erf size (the size of the property), increases the selling price of a freehold property by R665. It is also estimated that an additional meter squared of dwelling size (the size of the building) increases the selling price of the property by R6 765. In both instances the larger the property in erf and dwelling size the greater the selling price.

STATA regression output

```
. reg SellingPriceinR ErfSizem2 DwellingSize Distancetolowincome
```

Source	SS	df	MS	Number of obs	=	151
Model	5.6426e+14	3	1.8809e+14	F(3, 147)	=	56.59
Residual	4.8857e+14	147	3.3236e+12	Prob > F	=	0.0000
Total	1.0528e+15	150	7.0189e+12	R-squared	=	0.5359
				Adj R-squared	=	0.5265
				Root MSE	=	1.8e+06

SellingPriceinR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ErfSizem2	665.4665	105.5161	6.31	0.000	456.942	873.991
DwellingSize	6765.224	757.9522	8.93	0.000	5267.334	8263.115
Distancetolowincome	364268	161055.7	2.26	0.025	45984.33	682551.6
_cons	1797954	490998.1	3.66	0.000	827627.1	2768281