FINANCIAL AND FISCAL COMMISSION

Understanding Housing Demand in South Africa

EXECUTIVE SUMMARY

South Africa is facing rapid urbanisation and an under-supply of housing in urban areas. Part of the problem is a lack of understanding of the different dimensions of housing demand and how housing demand changes over time. Using data from the City of Tshwane, the Financial and Fiscal Commission (the Commission) developed a housing-demand model that looked at type, tenure and location of housing under two scenarios: Business as Usual (BAU) and future housing aspirations of households. The model found that, by 2030, demand for housing will be the greatest in urban areas (central business districts (CBDs) and intermediate suburbs), and rental accommodation will be the most desired form of housing. Housing typology will shift from free-standing housing to flats and townhouses. The Commission recommends that municipalities (especially metros) should monitor housing demand and should plan for rental accommodation (flats and townhouses) in CBDs and intermediate suburbs.

BACKGROUND

Like other developing countries, South Africa is experiencing rapid urbanisation growth. Despite delivering over three million fully subsidised houses to low-income households since 1994, the under-supply of housing, especially in urban areas, continues to be a challenge for government. Understanding housing demand is crucial for government to be able to give meaning to the constitutional right to adequate housing. To date, insufficient attention has been given to the different dimensions of housing demand and how demand changes over time, as households evolve. At the public hearings[1] organised by the Financial and Fiscal Commission (the Commission) in 2011 and 2012, one of the human-settlement challenges identified was this lack of understanding, which can result in an inability to plan adequately for future housing needs and to provide appropriate housing stock in appropriate locations. In an attempt to understand housing demand, the Commission developed a housing-demand model using data from the City of Tshwane as a case study. Housing demand (in terms of type, tenure and location of housing) was estimated based on (i) Business as Usual (BAU) or status quo according to current trajectory or housing policy and (ii) future housing aspirations of households given their current socio-economic status.[2]

FINDINGS

Based on income groups, the distribution of households shows only small variations between the BAU scenario and the aspirations scenario. However, the picture is very different for the distribution of households based on location. As Figure 1 illustrates, a huge difference was found between the BAU and housing aspirations scenarios. Under the BAU scenario, by 2030 most households will be in isolated towns but, when household aspirations are taken into account, most households would prefer to live in intermediate suburbs. What is clear is that the distribution of households by location will move strongly in favour of urban locations. The implication for municipalities is that, based on the projected growth under the aspirations scenario, housing delivery will be needed in the intermediate suburbs, nodal points and central business districts (CBDs).

Figure 1: Number of households per location region (2011 and 2030)
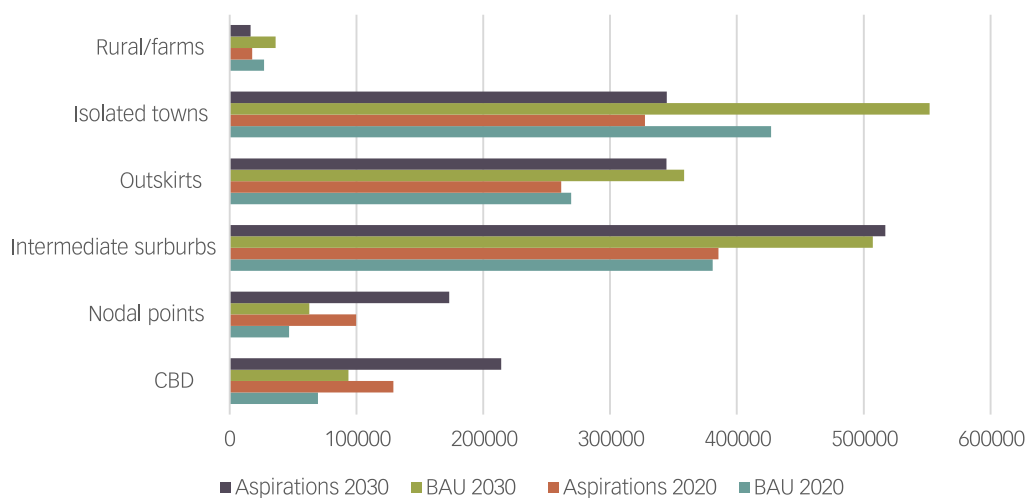
The housing-demand model also looked at the type of housing that would predominate by 2030 in the different locations (Figure 2). The results show a clear difference in housing typologies under the BAU scenario compared to the aspirations scenario. In line with the increased number of households who would prefer to live in the CBD and intermediate suburbs, the number of flats and townhouses will increase by 14% and 4% respectively between 2011 and 2030. Over the same period, houses on separate stands will decrease by 8%.

Government will need to shift from RDP-type housing on a separate stand to flats and townhouses for low-income rental.

Figure 2: Household typology: status quo vs. household aspirations

Legend: House on stand · Flats · Town house · Backyard informal · Informal dwelling · Serviced stand · Backyard room
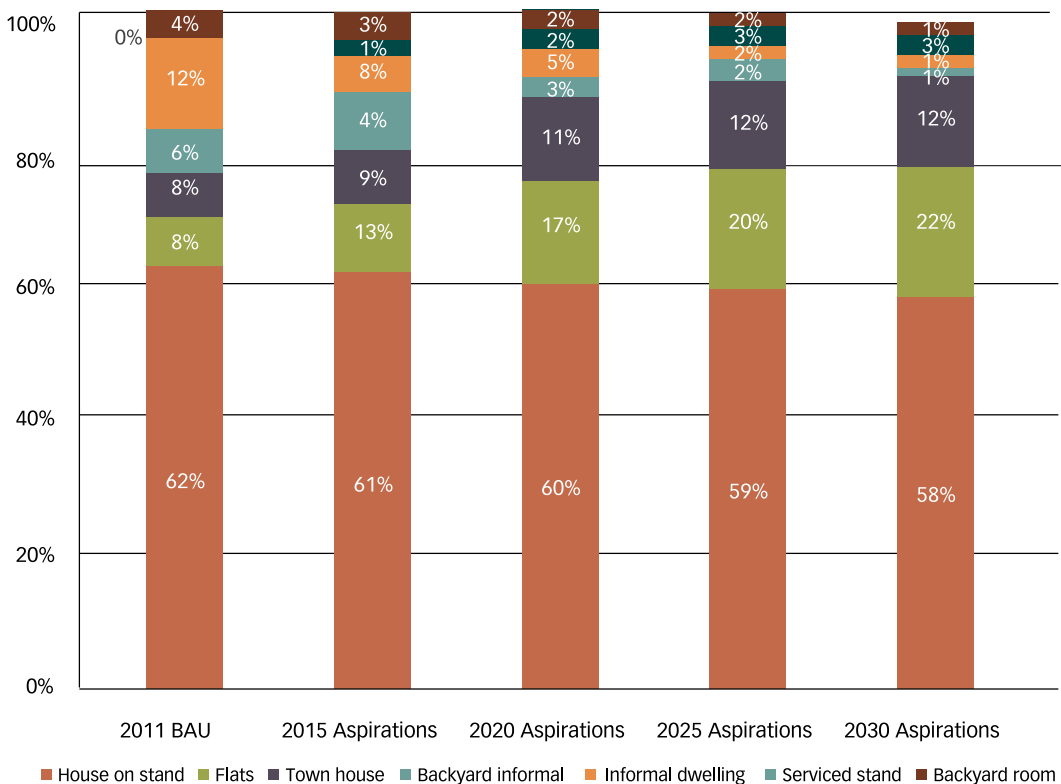
The housing-demand model also looked at the type of tenure housing that would predominate by 2030 and found that the preferred form of tenure would shift steadily from ownership to rental: from 2011 to 2030, rentals are projected to increase by 17%, while ownership is projected to decrease. These findings imply that government will need to shift from RDP-type housing on a separate stand to flats and townhouses for low-income rental.

CONCLUSION

Insufficient attention has been given to understanding housing demand, which is multi-dimensional and includes housing type, location and tenure. Understanding demand will enable government, especially metropolitan municipalities, to plan adequately and to provide for future housing needs. Using a housing model developed and applied in the City of Tshwane, the research found that demand for housing will be the greatest in urban areas (CBD and intermediate suburbs), where rental accommodation will be the most desired form of housing. With respect to housing typology, the model shows a shift from free-standing housing to flats and townhouses. The Commission therefore recommends that municipalities (especially metros):

- Invest in developing a housing-demand model and consistently monitor and update housing demand using recent data.
- Plan for lower-income household rental accommodation (flats and townhouses mainly) in the CBDs and in newly created (or transformed) neighbourhoods in intermediate suburbs, which have lower densities than the inner city.

POLICY BRIEF

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