



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD



URBAN REAL ESTATE
RESEARCH UNIT

A Reflection on Transit Oriented Development through a Market Perspective

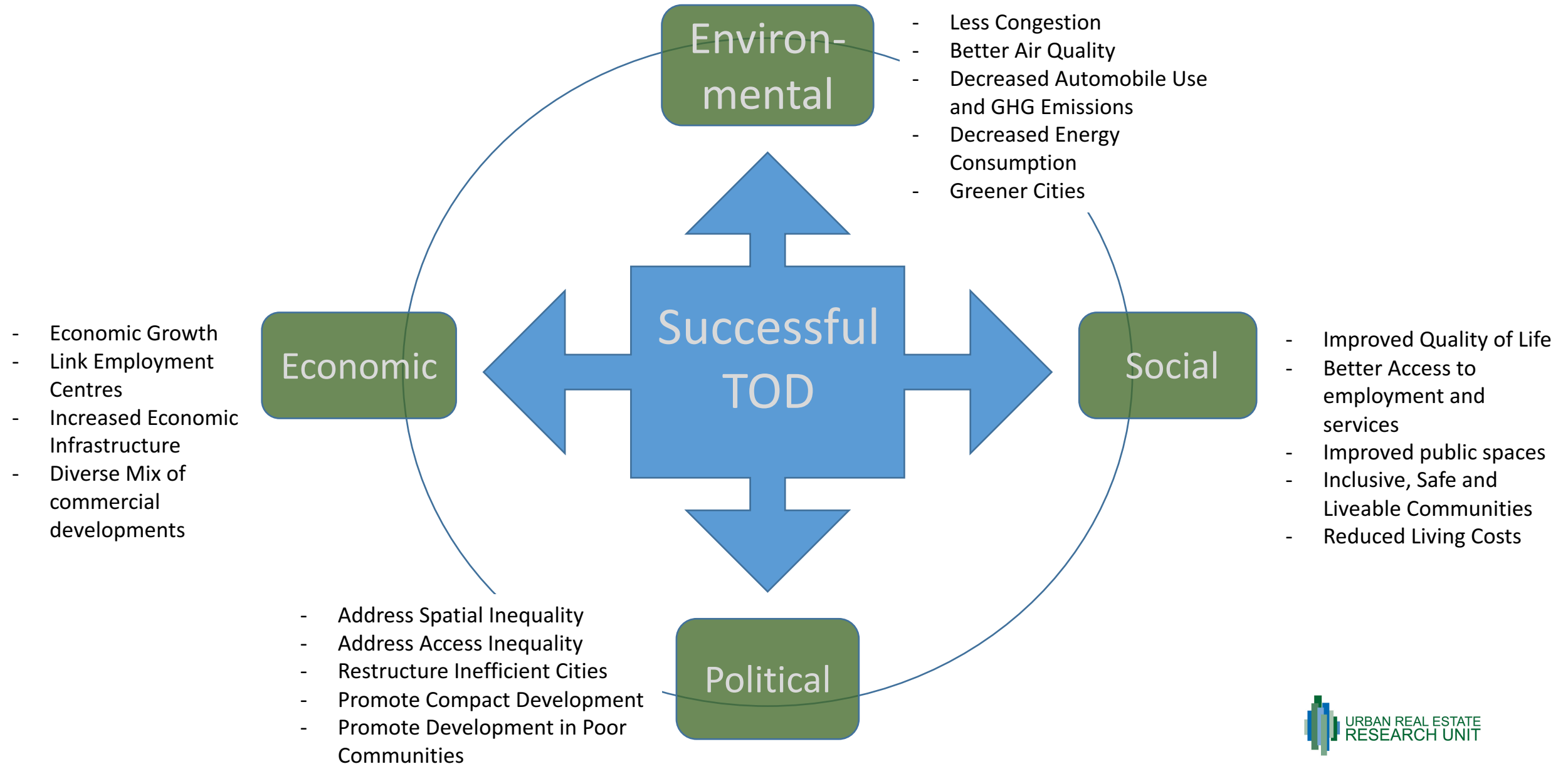
Assoc Prof François Viruly

Transit Oriented Development...

- Increased pressure on Local Governments to address environmental, social, and transport issues.
- TOD is not just about Transit but about development

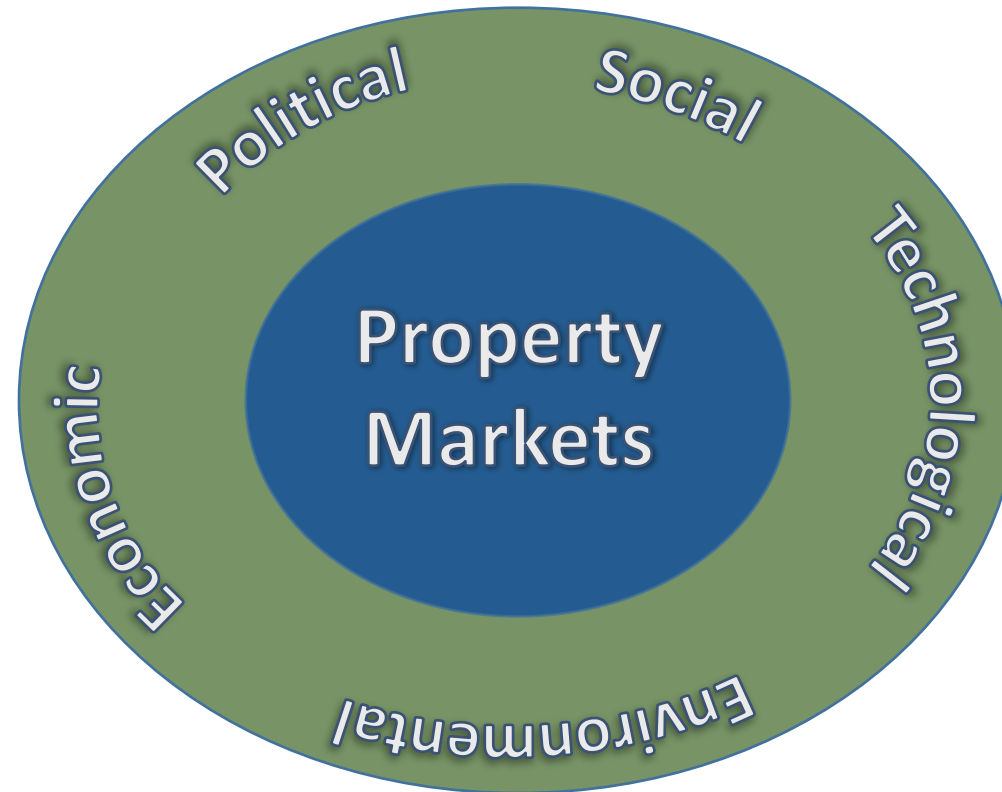


Are we asking too much of TOD?...

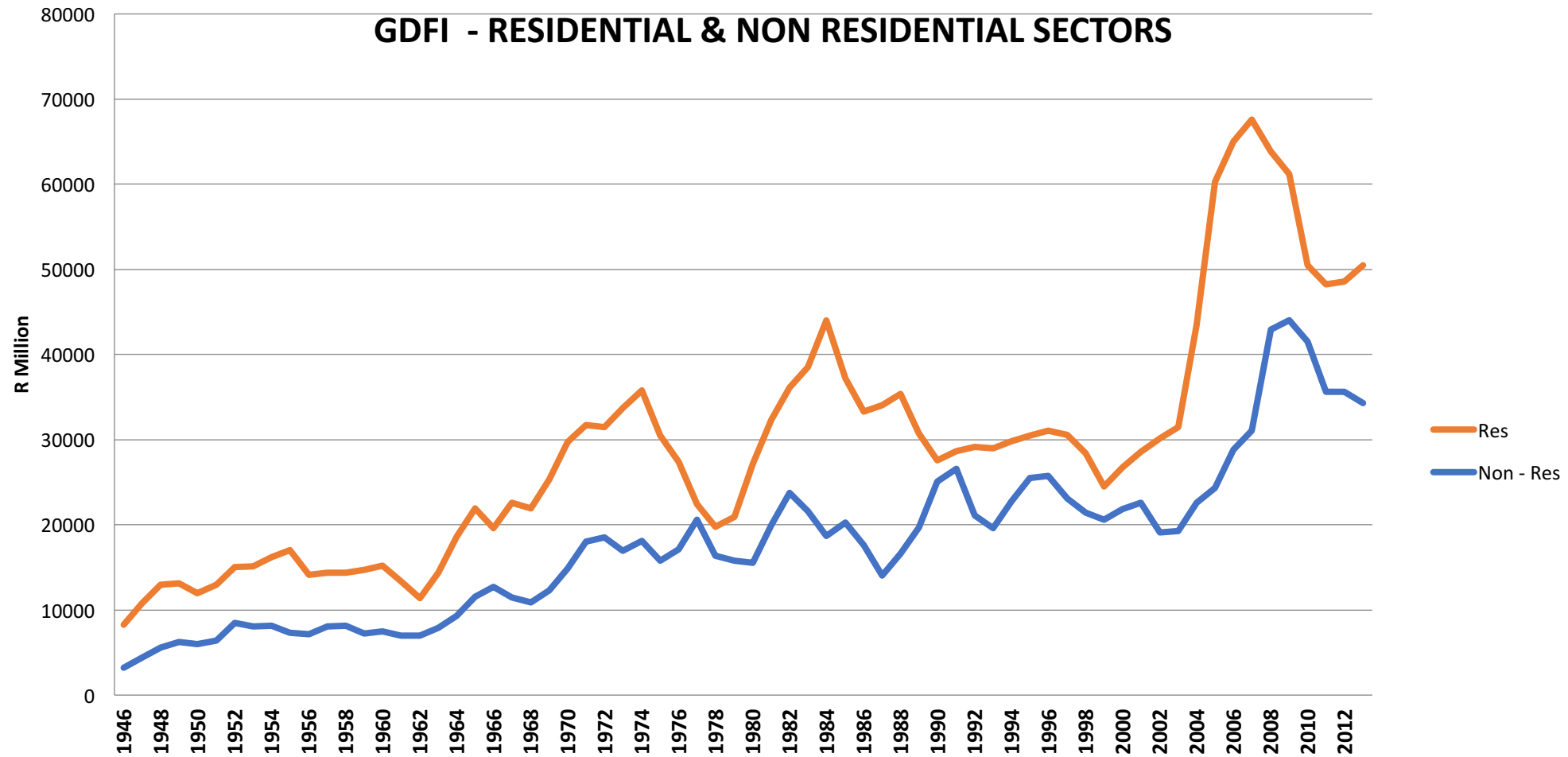


Understanding Property Markets...

Endogenous and Exogenous Factors...



Understanding Property Markets...



Understanding Property Markets...



TRENDS	PLACES	ECONOMY	INDUSTRIES	VIEWPOINT	
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INNOVATION

PropTech: Why the future is digital and personal

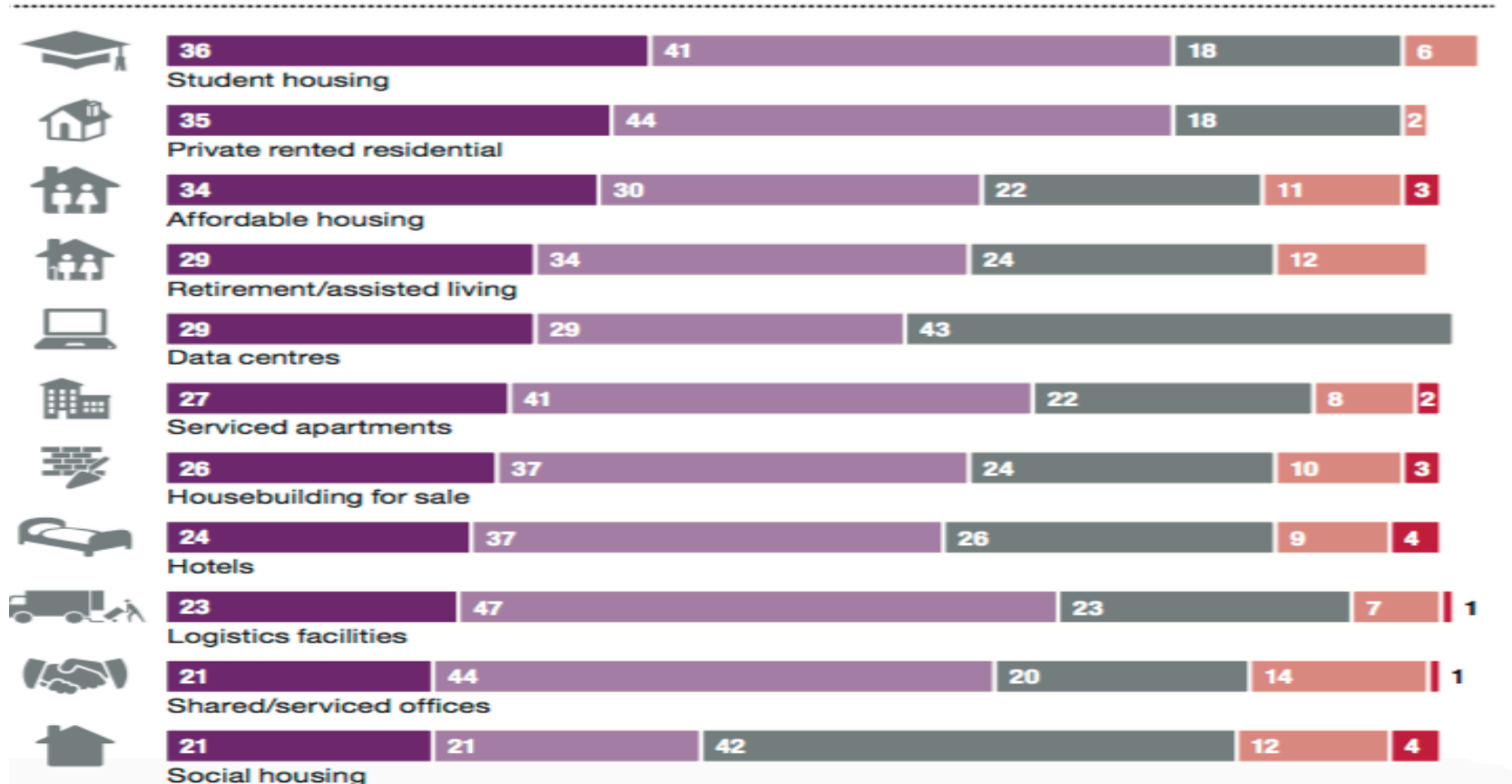
1 May 2017 | Article by Jim McClelland



Understanding Property Markets...

It's about Education, Leisure, Housing rather than Retail, Office and Industrial Space

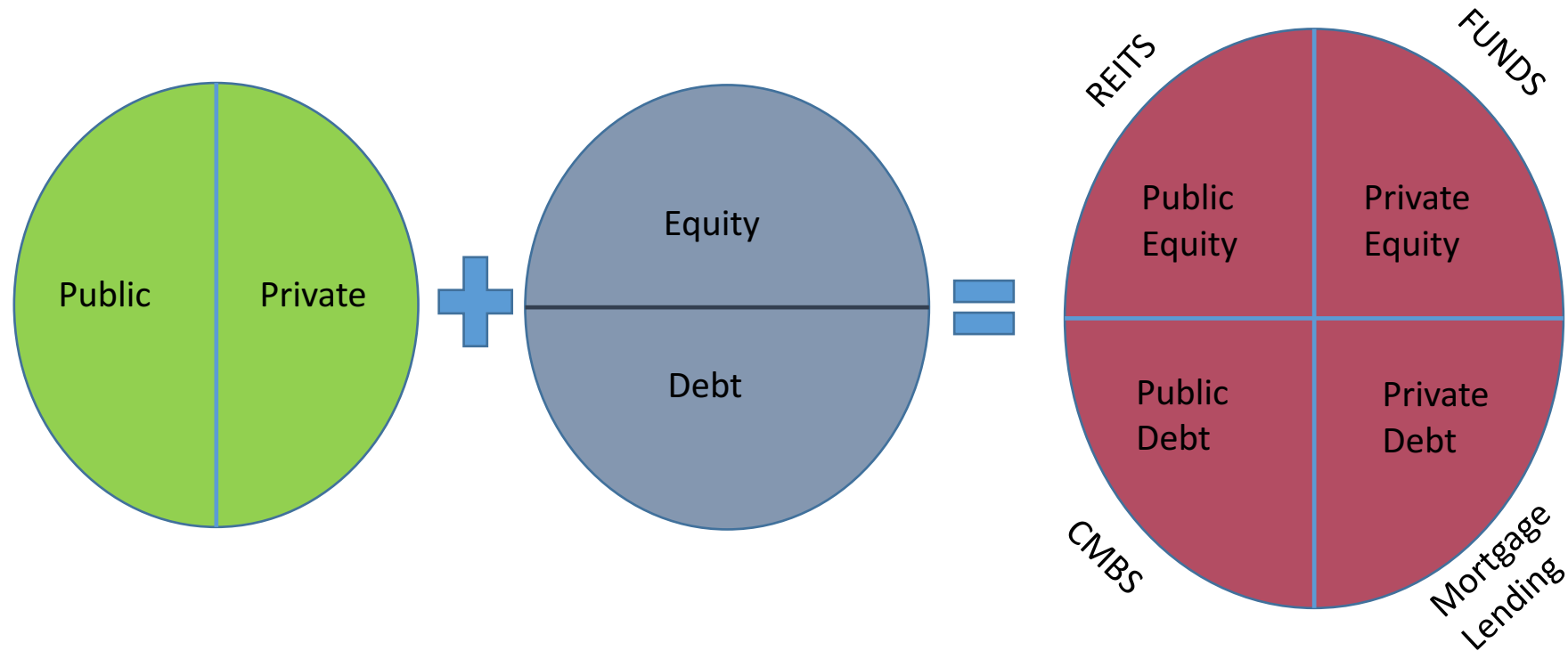
Figure 2-12 **Sector development prospects, 2017**



Source: ULI

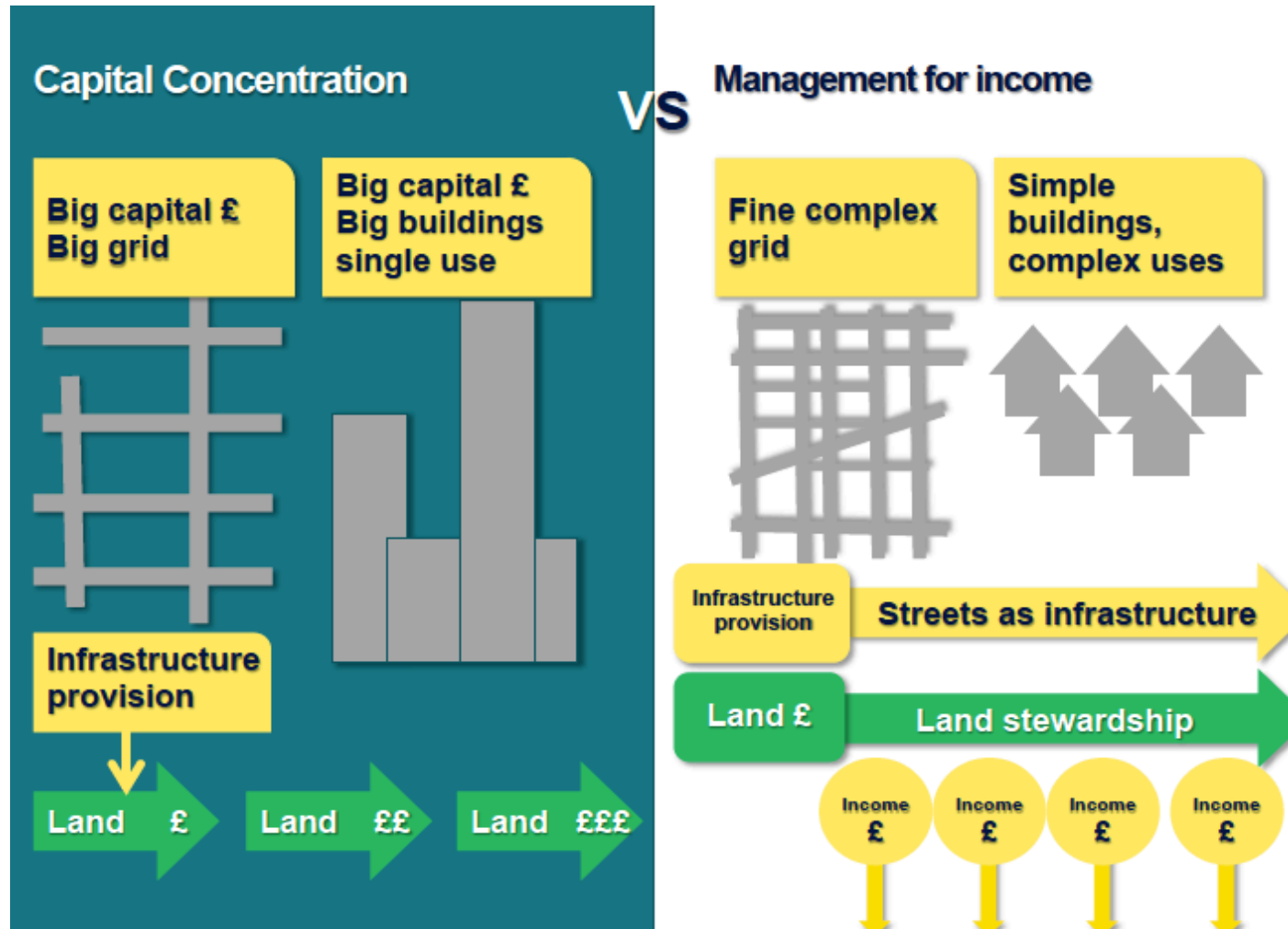
Understanding Property Markets...

How to Participate: Real Estate Investments can be made from a Wide Range of Starting Points

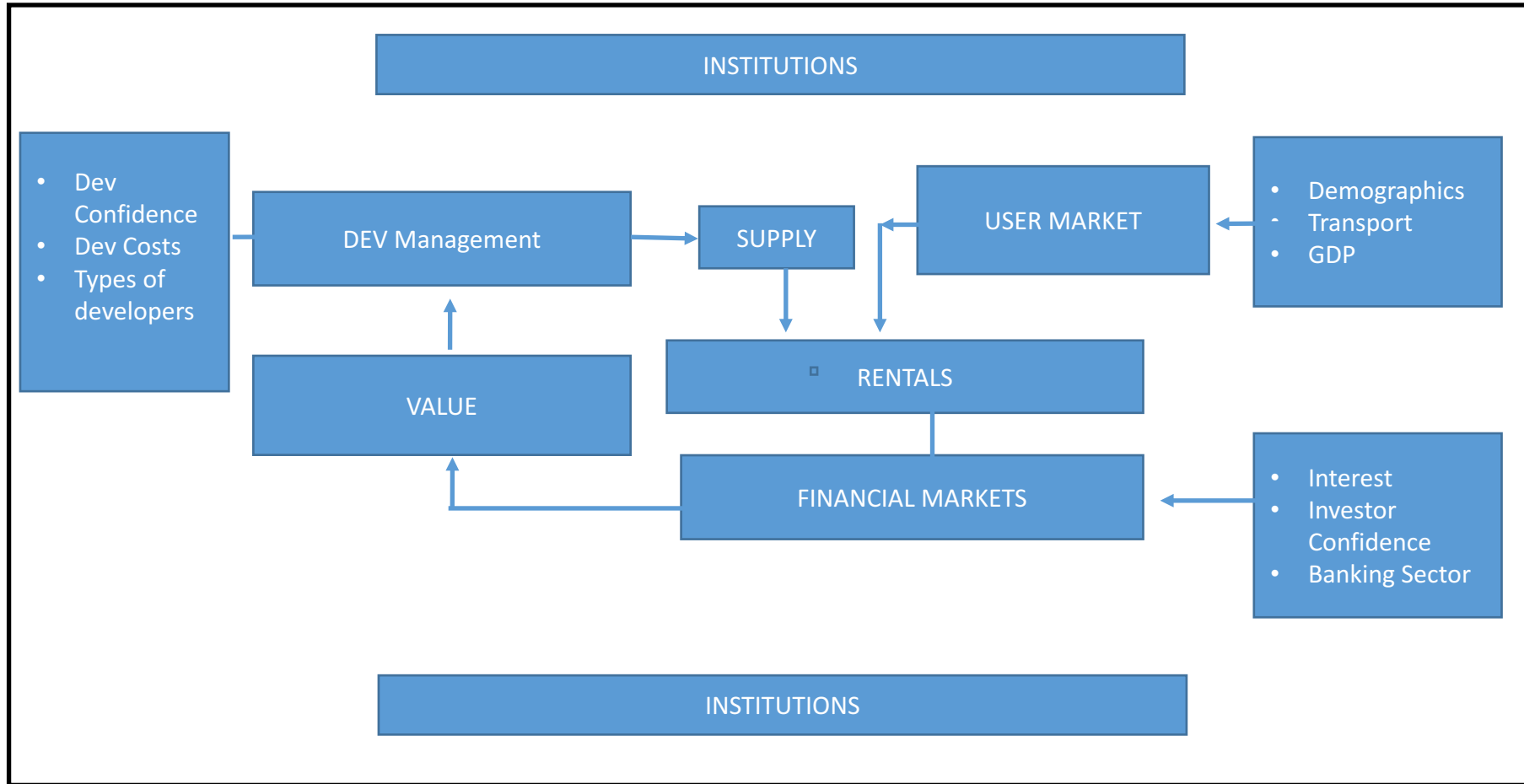


Understanding Property Markets...

Changing Models of Development



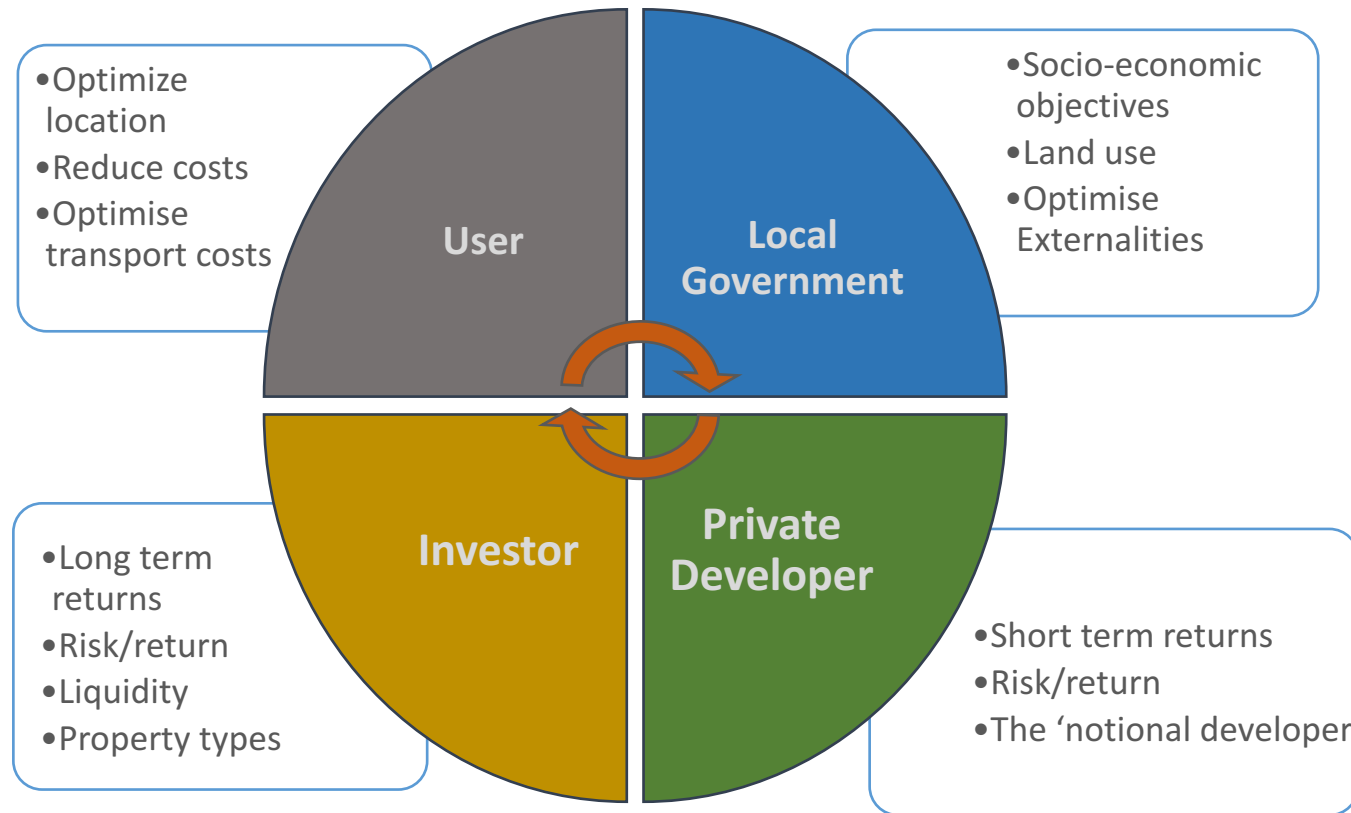
Complexity of the Market



Complexity of the Market

Understand the Players: Whose Objectives are Different and Many More...

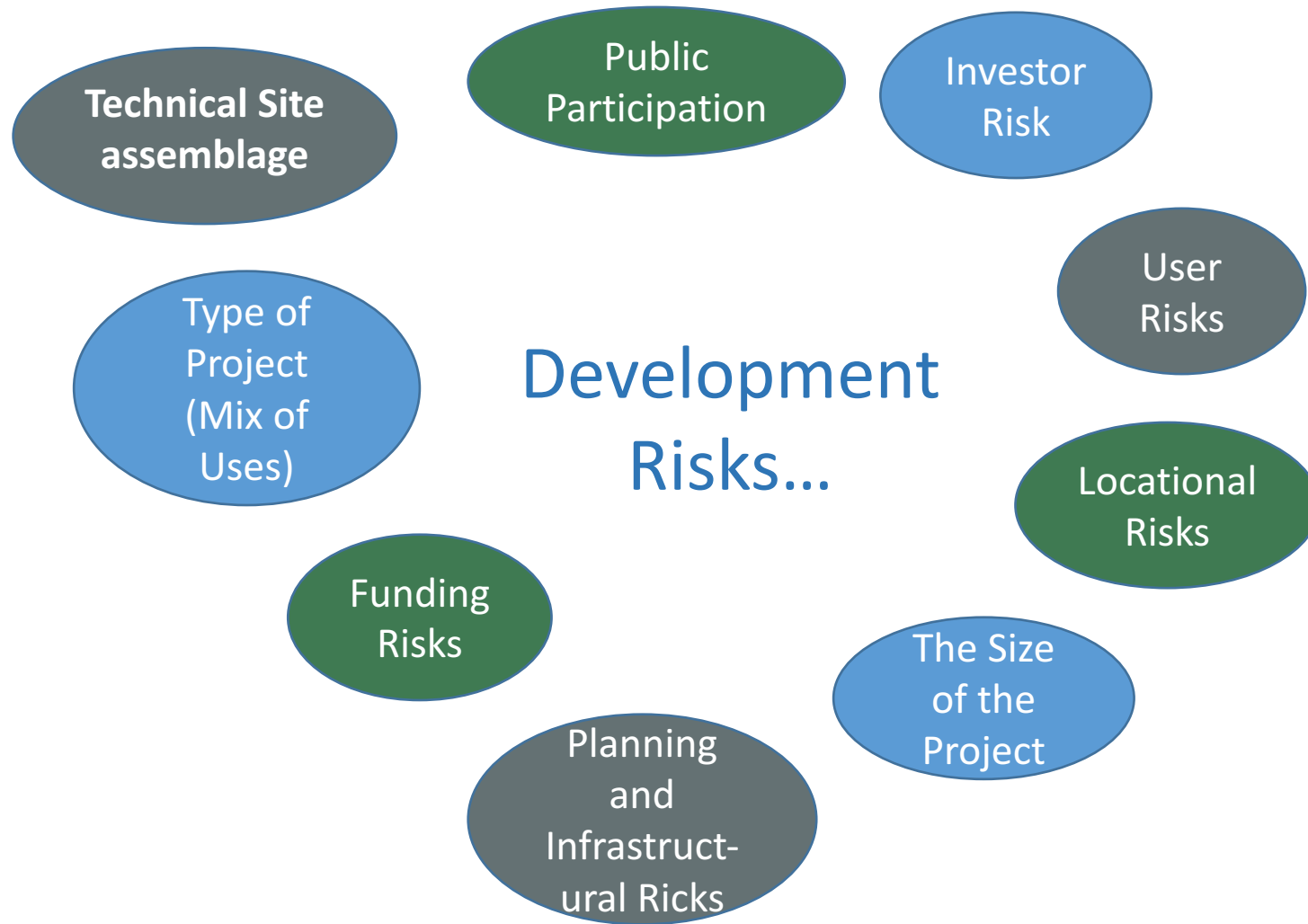
- User Complexities - Developer Complexities - Investor Complexities. - Public Sector Complexities



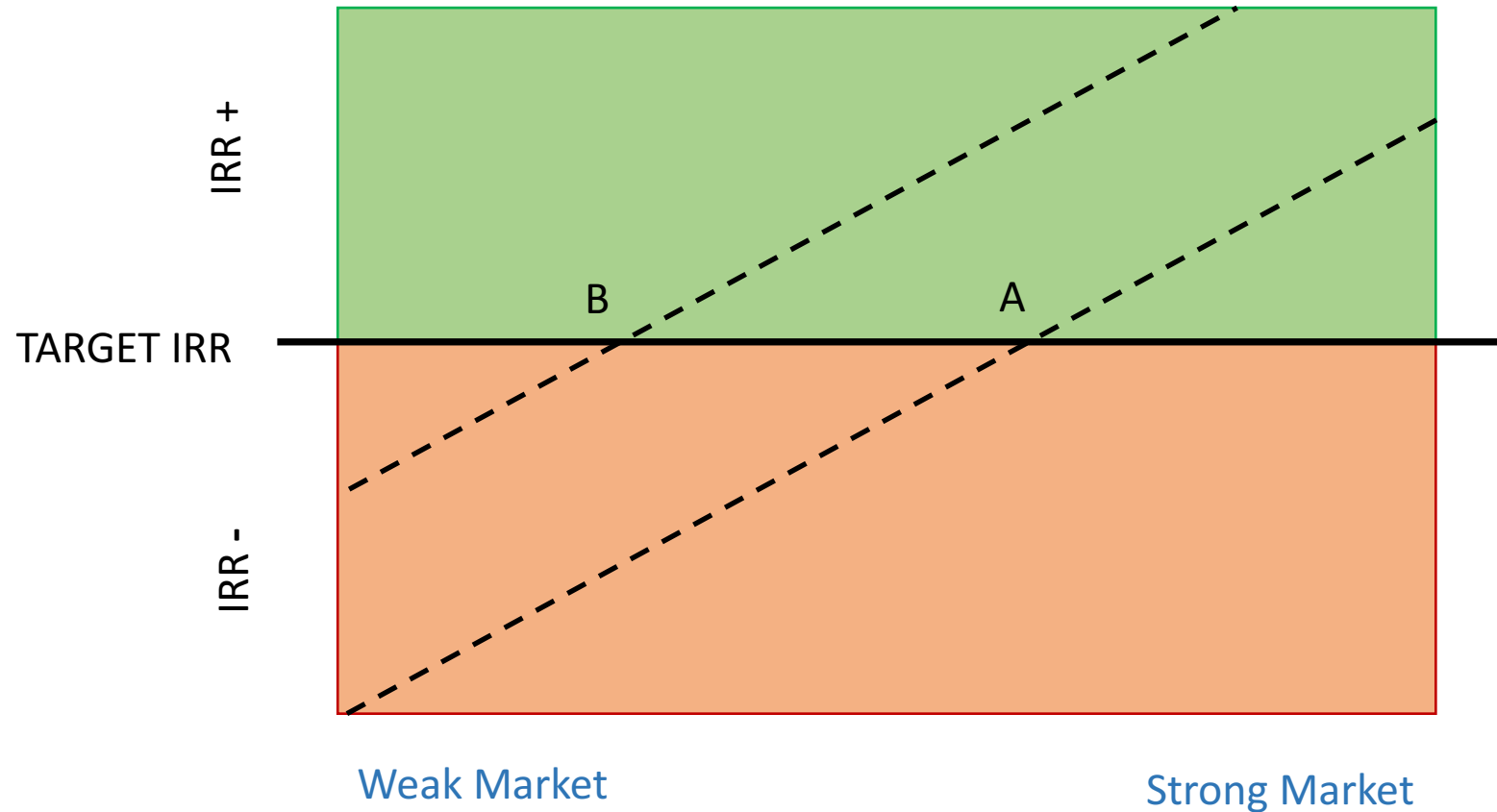
Key Obstacles to TOD from a Market Perspective

- Available Data and Information
- Available Skills and Expertise
(Both Public and Private Sector)
- Lack of Early-Stage Partnerships with Investors or Economic View
- No Recognition of Market Trends
(Housing, Employment, Urban Land Economics, and Real-Estate Trends)
- Land Assembly
(Making sure there is enough land for developers to make a profit)

Why the Markets Haven't Responded...



Responsiveness determined by IRR



Key Determinants for Success of TOD

- Extent of Transit Investment/Number of Stations
- Travel Behaviour & Direction of Flows
- Transport Node Housing and Employment Density
- Transport Node Commercial Mix
- Housing Type Preference
- Regional Market Structure & Consumer Behaviour
- Street Pattern

Factor	Station-area success	Regional success
Number of TODs (& station areas)		X
Transit quality		X
Transit technology		X
Street pattern	X	X
Station-area parking	X	X
Employment and housing density	X	X
Commercial mix	X	X
Retail siting criteria		X
Regional market structure		X
Consumer activity patterns		X
Travel behavior/trip chaining		X
Zoning flexibility		X
Resident reactions	X	X
Housing type preference/life style & life stage		X
Self-selection in residential choice	X	X
Government policies		X

Key Determinants of Urban Development in Cape Town

- Economic Factors
- Existing Spatial Configuration
- Availability of Affordable Land
- Existing Transport Networks
- User demands:
(Level of activity, user needs, affordability, availability)



Shortcomings of TOD Implementation

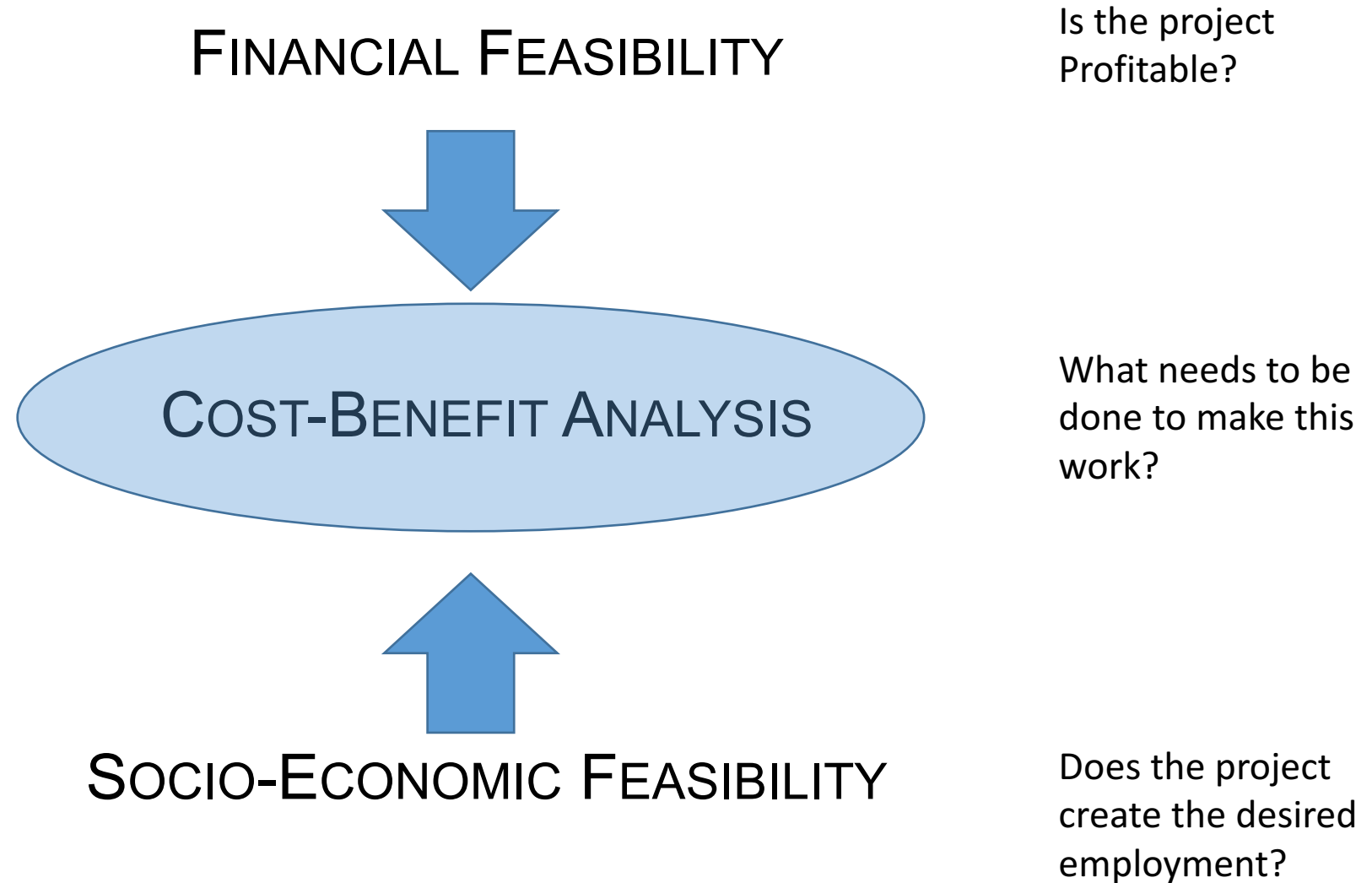
- Responding to Urban Issues rather than Understanding the Forces that Cause Them
- Conceptualised and Implemented before Feasibility Analysis Takes Place
- Are Not in Touch with Development Drivers and Forces
- Dislocated from Market Forces and Urban Land Economics
- Land Restructuring Does Not Support Investment



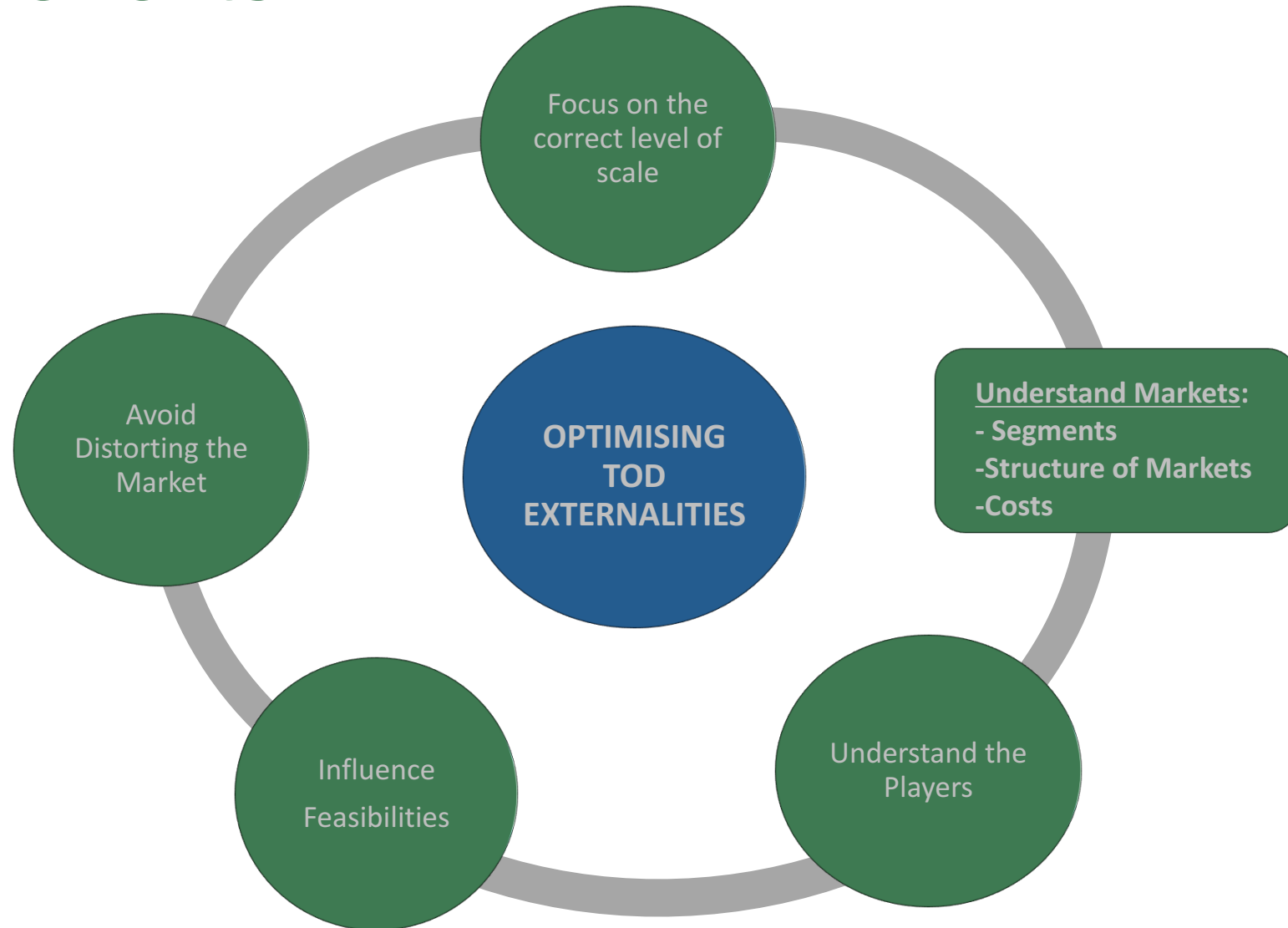
“Historically private sector led development have largely ignored the City’s proposed spatial restructuring planning policy directives. This is due, largely, to a lack of understanding of the market and particularly the motives that drive private sector led development”

Source: CoCT TOD Strategic Framework

Feasibility



Optimising TOD Externalities and Realizing the Benefits



Future Considerations for TOD in Cape Town

Work with what exists...

• DEMAND SIDE INTERVENTIONS

- Promote Economic Growth
- Employment Creation
- Reducing Location Costs
- Improve Liveability
- Incorporate Market Trends
(housing, employment, urban
land economics, real-estate)

SUPPLY SIDE INTERVENTIONS

- Facilitate Markets
- Reduce Red Tape
- Promote Different Types of
Developments
- Market Driven Rezoning
- Land Assembly
(is there enough land for
developers to make a profit?)

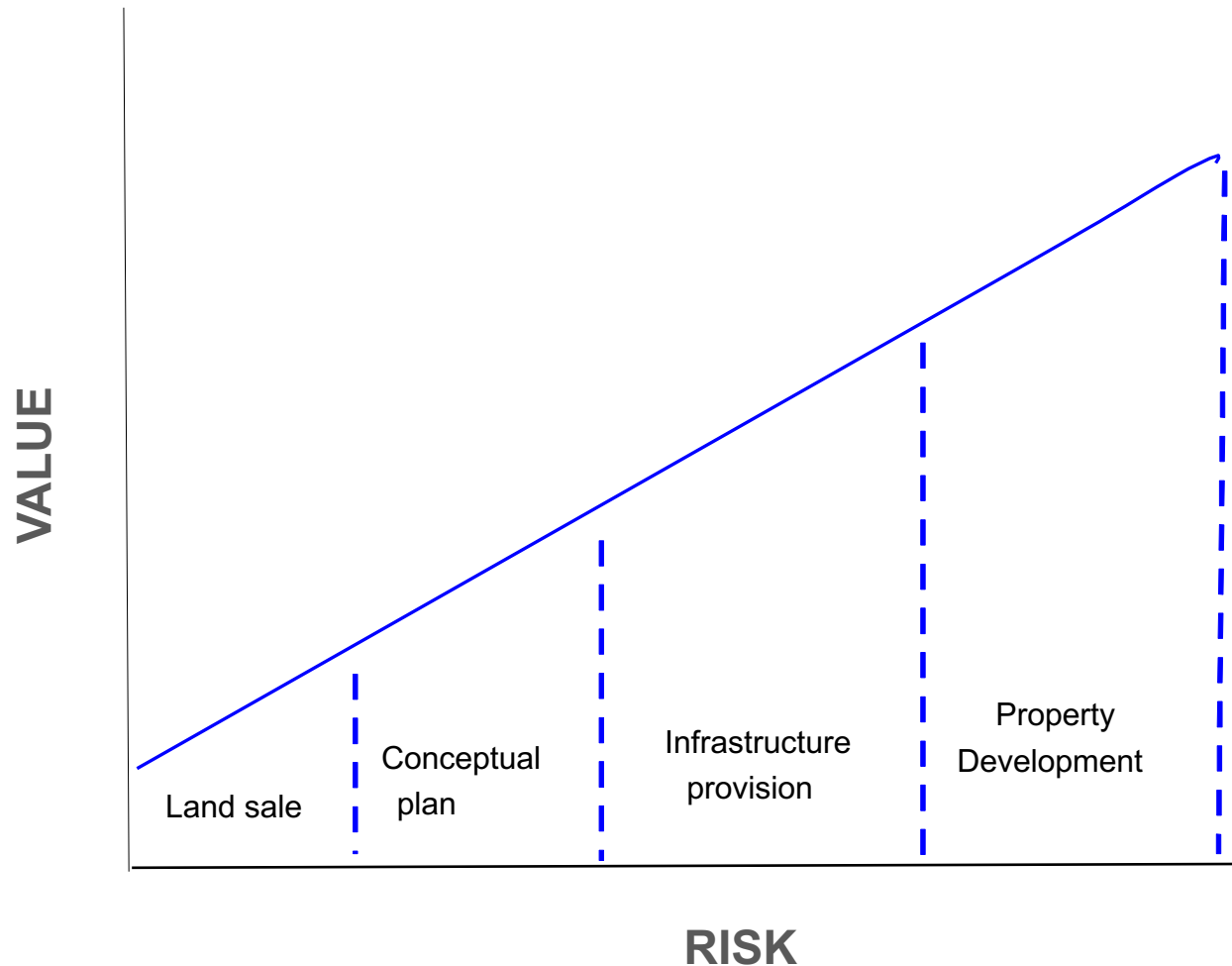
Future Considerations for TOD in Cape Town

- Under the user, financial and development markets
- What are the signals that TODs provide and how are they interpreted?
- TODs are NOT the Answer to Poorly Performing Markets
- Develop a Clear Strategy Grounded in Social and Economic Imperatives Rather than Responding to Urban Issues through Transit
- Integrating Planning and Conceptualisation with other Key Stakeholders (e.g. Financiers of projects)

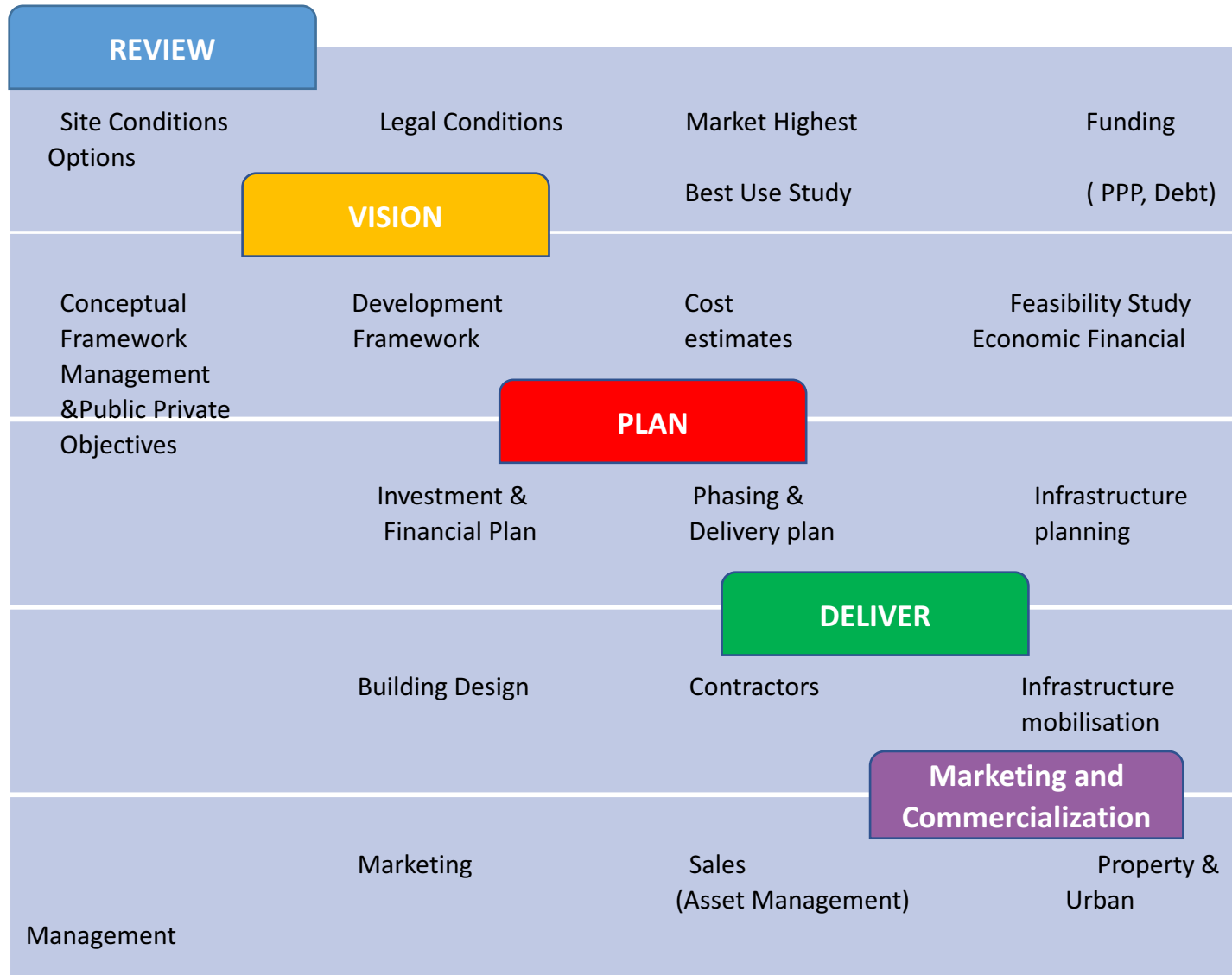


Commercialisation of the Project

Is Public Sector Making it Easier for Developers or Complicating Matters?



Integrated Development Plan Process



Concluding Comments

- The Market is the Starting Point, not the End Point
- TOD Strategies deployed without enough evidence that investment will produce public and private benefits
- There is no such thing as a “silver TOD bullet”
- Conceptualised on intended outcome rather than addressing urban dynamics
- Too Localised & Don't look at broader metropolitan and market considerations





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Thank you!

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MAS expands Eastern Europe footprint with two malls in Bulgaria

20 APRIL 2017 - 06:03 by ALISTAIR ANDERSON



COMPANIES / PROPERTY

COMMERCIAL PROPERTY

Vukile set for expansion into UK and Europe

25 NOVEMBER 2016 - 06:31 AM by ALISTAIR ANDERSON

SA Investors look to Europe for Property opportunities

By Africa Property News 2016-05-04 13:35:00

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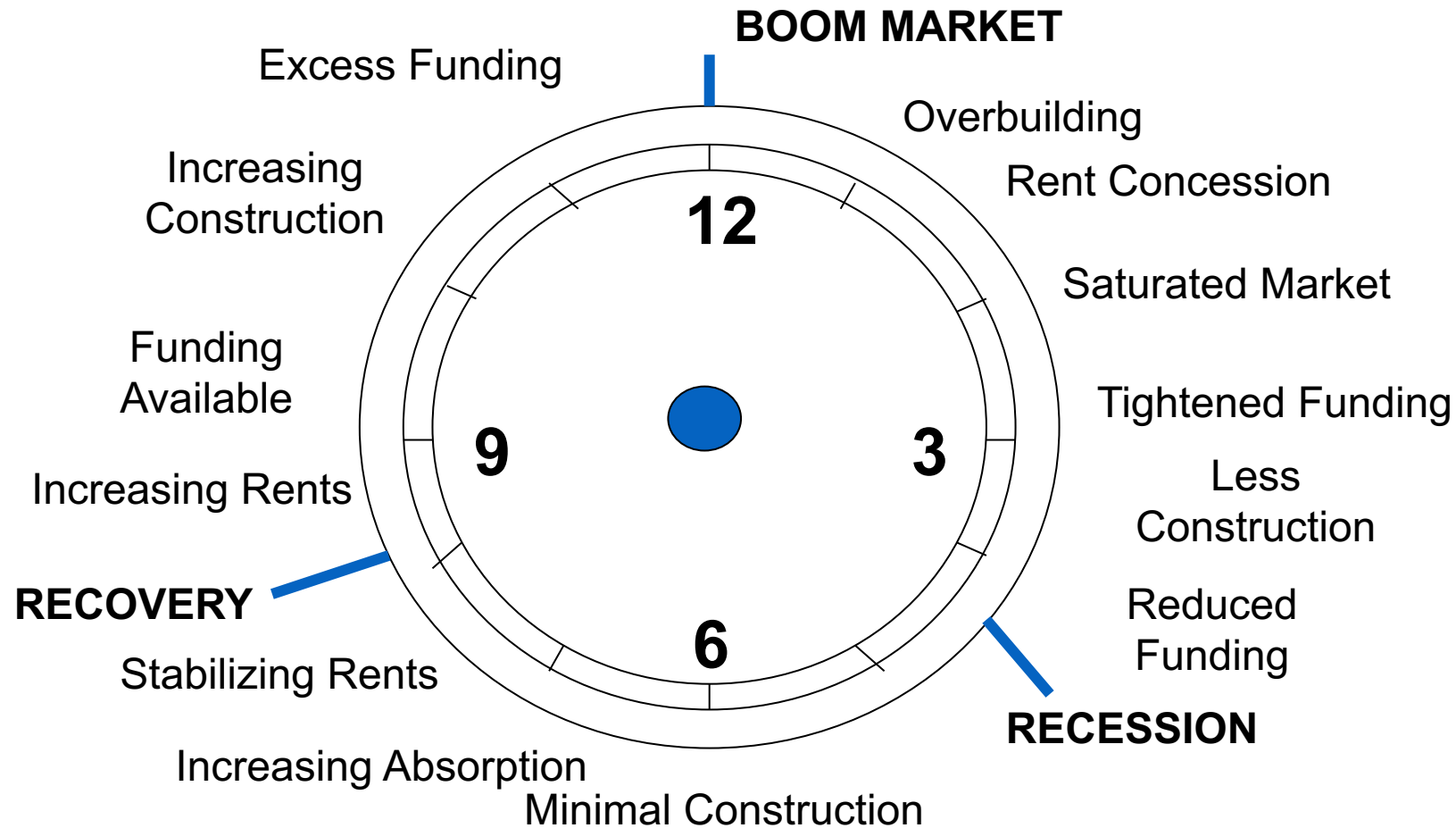


Given the poor performance of inflation, South African property made their mark on the real estate market across Central and Eastern Europe last 12 months.

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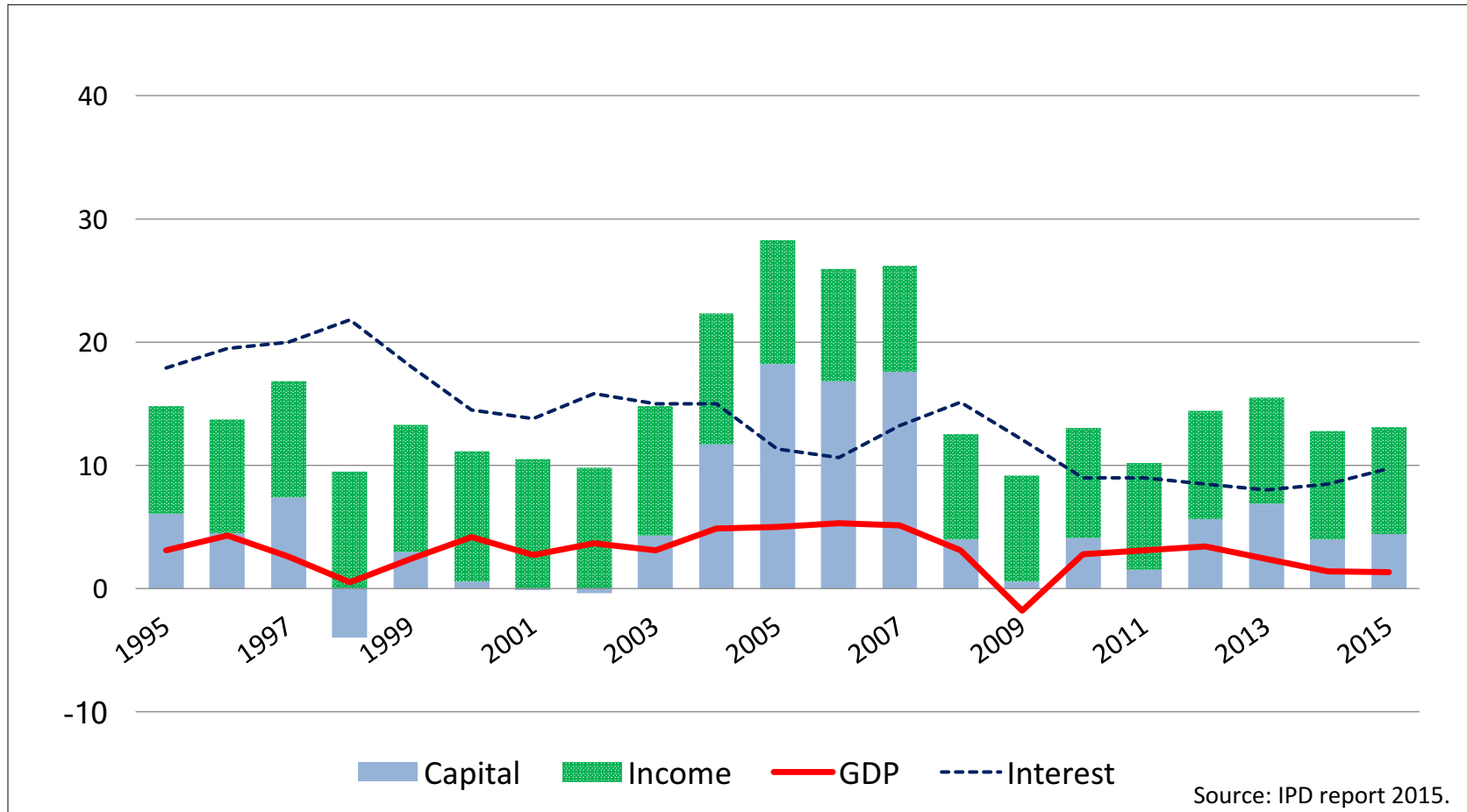
With the region's attractive yield interest rates enticing an increase

What 'S Next in the Short Run..



Viruly

Total IPD Returns versus GDP Growth





1. Agrarian

Proximity to other people

Rural population

2. Early Industrial

Proximity to raw materials

Urbanisation

3. Mercantile

Proximity to markets

Suburbanisation

4. Capital

Proximity to financial capital

Urban renaissance

5. Digital

Proximity to other people

Urban dispersal