

Economic Drivers for New Development in the City

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October 2017



slow economic growth in south africa



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Why South Africa's economy is likely to grow more slowly than its ...

theconversation.com/why-south-africas-economy-is-likely-to-grow-more-slowly-than... ▼

Aug 19, 2015 - **South Africa's** lack of a clear policy direction, poor leadership, ... be the major constraints to its **economic growth** over the next 20 years. ... A number of characteristics of the low-road scenario Nation Divided are also evident.

Slow growth expected for SA economy in 2017, says Prof André Roux ...

www.usb.ac.za/news-events/news/917 ▼

Feb 14, 2017 - "As a country we should not be despondent or depressed about the current **economic** status. We should be livid and unforgiving," said Prof ...

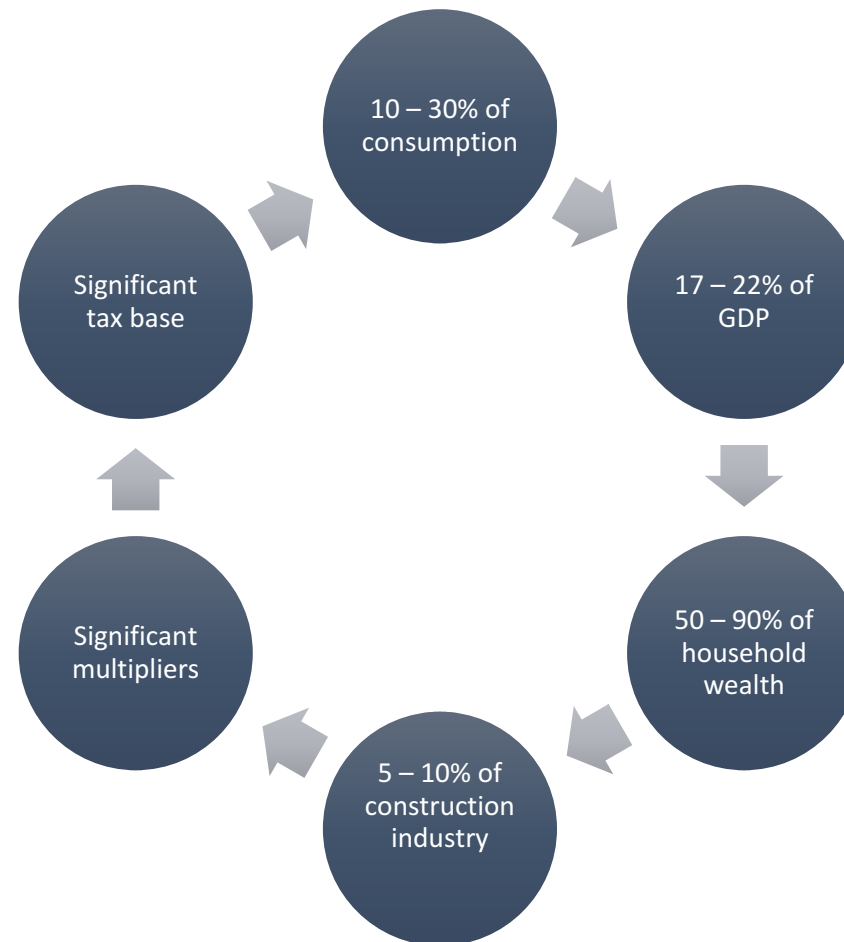
Slow economic growth leaves SA little room to manoeuvre | Business ...

<https://mg.co.za/.../2015-10-22-slow-economic-growth-leaves-sa-with-little-room-to-...> ▼

Oct 22, 2015 - It is **economic growth** that grows tax revenues and it is these revenues that fund development, the finance minister echoed over and over again ...

But the one thing we have going for us is that we have a housing shortage...

Housing is a critical part of the economy:



(Hoek-Smit, 2017)

Challenge #1: Not building enough (affordable) housing...

Estimated number of households = 1 200 000

Estimated number of formal houses = 880 000

Estimated shortfall = 320 000

Estimated household growth = 1,8% p.a.

Estimated house growth as a % of households = 1,1% p.a.

(Own calculation – STATSSA, CoCT)

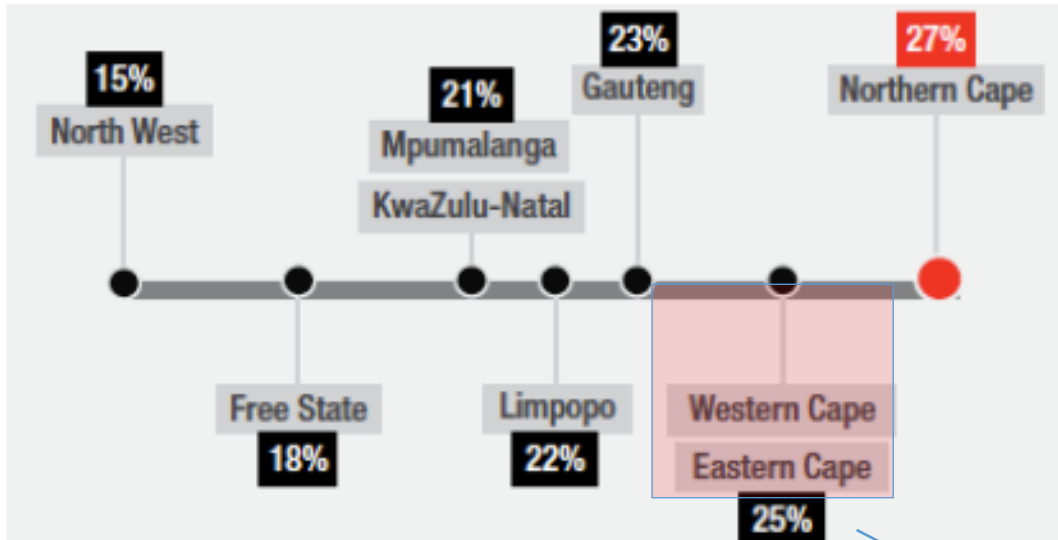
What is affordable?

Cape Town Monthly Household Income	Black African		Coloured		Asian		White		Other		Total	
	Num	%	Num	%	Num	%	Num	%	Num	%	Num	%
No income	85 427	19.2%	37 399	10.4%	1 542	10.8%	19 522	8.4%	2 627	14.5%	146 517	13.7%
R 1 - R 1 600	120 800	27.2%	53 104	14.8%	965	6.8%	7 445	3.2%	2 754	15.2%	185 068	17.3%
R 1 601 - R 3 200	102 325	23.0%	55 849	15.6%	966	6.8%	8 633	3.7%	3 051	16.9%	170 824	16.0%
R 3 201 - R 6 400	64 708	14.5%	66 488	18.5%	1 459	10.2%	18 853	8.1%	2 919	16.2%	154 427	14.5%
R 6 401 - R 12 800	35 420	8.0%	62 286	17.4%	2 149	15.1%	37 117	15.9%	2 376	13.1%	139 348	13.0%
R 12 801 - R 25 600	20 520	4.6%	47 952	13.4%	2 852	20.0%	53 255	22.9%	2 046	11.3%	126 625	11.8%
R 25 601 - R 51 200	10 835	2.4%	26 390	7.4%	2 564	18.0%	51 619	22.2%	1 452	8.0%	92 860	8.7%
R 51 201 - R 102 400	3 122	0.7%	6 889	1.9%	1 240	8.7%	26 190	11.2%	577	3.2%	38 018	3.6%
R 102 401 or more	1 615	0.4%	2 257	0.6%	523	3.7%	10 151	4.4%	268	1.5%	14 814	1.4%
Unspecified	9	0.0%	15	0.0%	6	0.0%	41	0.0%	2	0.0%	73	0.0%
Total	444 781	100.0%	358 629	100.0%	14 266	100.0%	232 826	100.0%	18 072	100.0%	1 068 574	100.0%

2011 figures, so escalated by CPI, say approximately 75% below **R20 000** p.m.

(Census, 2011)

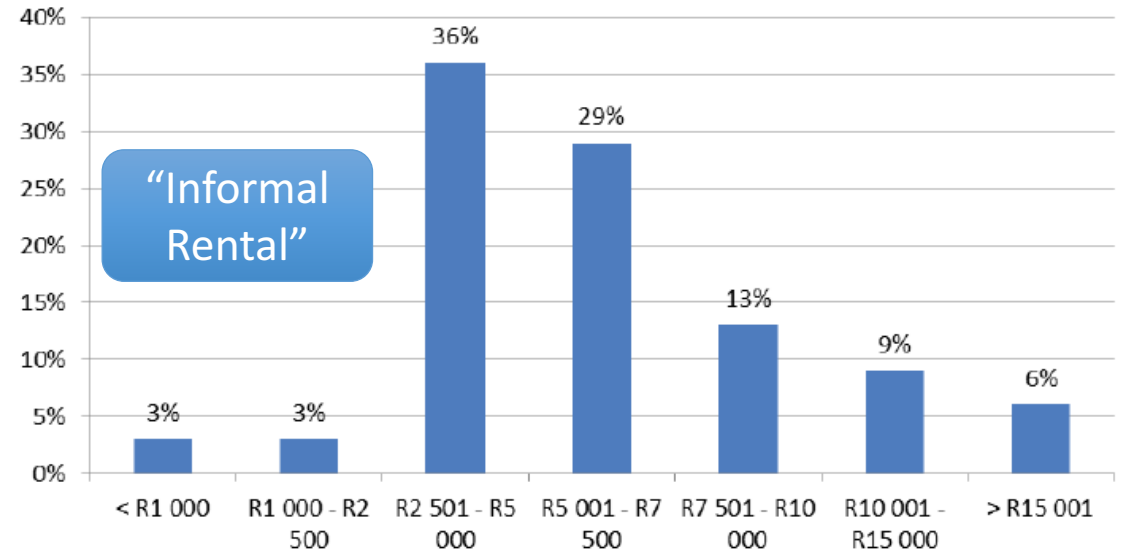
Rent to Income Ratio (Adapted Payprop, 2016)



(Percentage spent on housing, Gallow et al, 2011)

1	2	3	4	5	6	7	8	9	10
82.70%	86.30%	84.10%	84.80%	83.50%	82.60%	80.10%	79.40%	75.57%	73.49%
17%	14%	16%	15%	17%	17%	20%	21%	24%	27%

Western Cape Rentals (Adapted Payprop, 2016)



At 25% of income = **R0 – R5 000** rental p.m.

But average rental in Cape Town is **R8 000** p.m. and **R15 000** p.m. in the CBD (Rode, CCID, Payprop)

All Rentals

Less than R5 000

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To Rent

Property Type Min Price Max Price Beds Baths Monthly

property24

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To Rent

Property Type Min Price Beds Baths Monthly

Property to Rent in Cape Town

Property to Rent > Western Cape > Cape Town

- Sea Point
- Claremont
- Clifton
- Green Point
- Rondebosch
- Three Anchor Bay
- Cape Town City Centre
- Gardens
- Camps Bay
- Waterfront
- Mouille Point
- Constantia

[More suburbs in Cape Town](#)

Order by: Default

Showing : 1 - 20 of 3124

[City Trends](#)

Showing : 1 - 20 of 3122

Property to Rent in Cape Town

Property to Rent > Western Cape > Cape Town

- Wynberg
- Maitland
- Surrey Estate
- Athlone
- Penlyn Estate
- Pinelands
- Salt River
- Harfield Village
- Cape Town City Centre
- Clifton
- Lotus River
- Heathfield

[More suburbs in Cape Town](#)

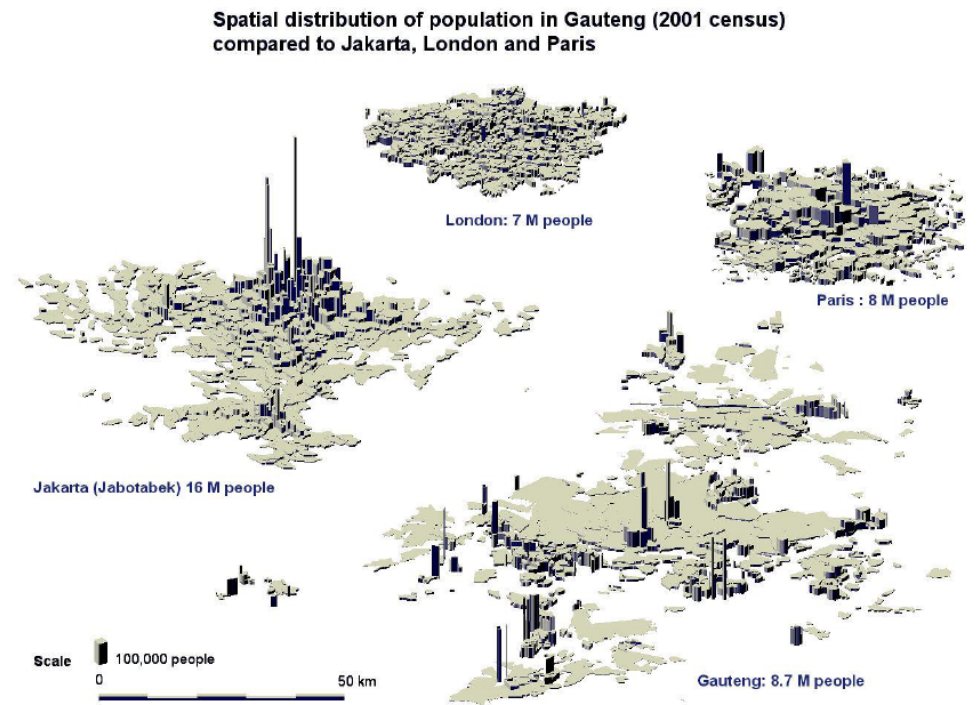
Order by: Default

Showing : 1 - 19 of 19

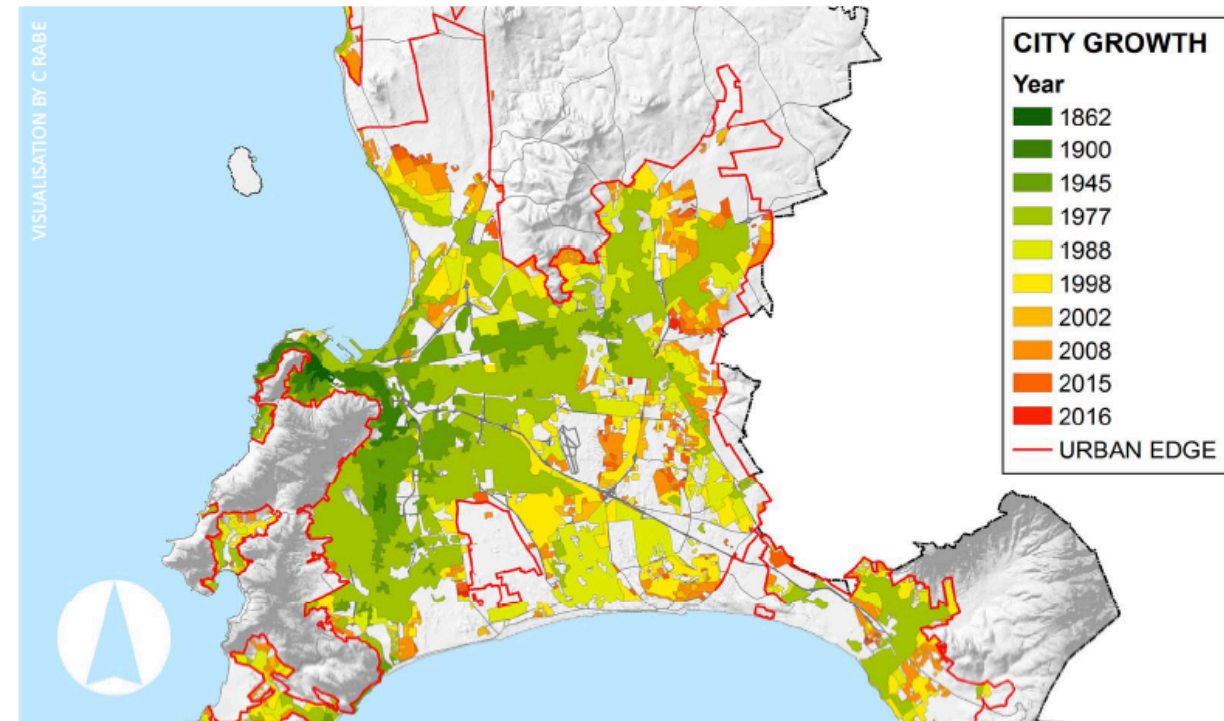
[City Trends](#)

Showing : 1 - 19 of 19

Challenge #2: Address spatial sprawl and increase integration...



(Bertaud)



(CoCT)



...these challenges result in an unsustainable, inequitable and unviable city



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R800-billion needed to solve housing woes by 2020 | eNCA
www.enca.com/south-africa/r800-billion-solve-countys-housing-woes-2020
Google Cal... Mandela's S... Tokai Prop... Goo Goo Do... Facebook R800-billio... The Crisis... screen grab...

Top Stories South Africa Africa World Money Sport Life Technology Opinion Weather Video

R800-billion needed to solve housing woes by 2020
South Africa | Monday 21 October 2013 - 4:50pm | Roderick Macleod

CAT:
Thur: 21h30
Sat: 15h30
Sun: 13h30
Mon: 22h30
Tue: 12h30

TRENDING

- 1 Brickz faces rape charge
- 2 Tables turn on Khuli Chana
- 3 EFF celebrates its first 100 days with Mpotu's membership
- 4 Zuma yet to see 'disappointing' Nkandla report
- 5 Sangoma burned to death in Carletonville

TOP STORIES News Stream

Planning innovation needed to:

...build housing within the city footprint



...build housing closer to job and other opportunities

(ECAMP, CoCT)

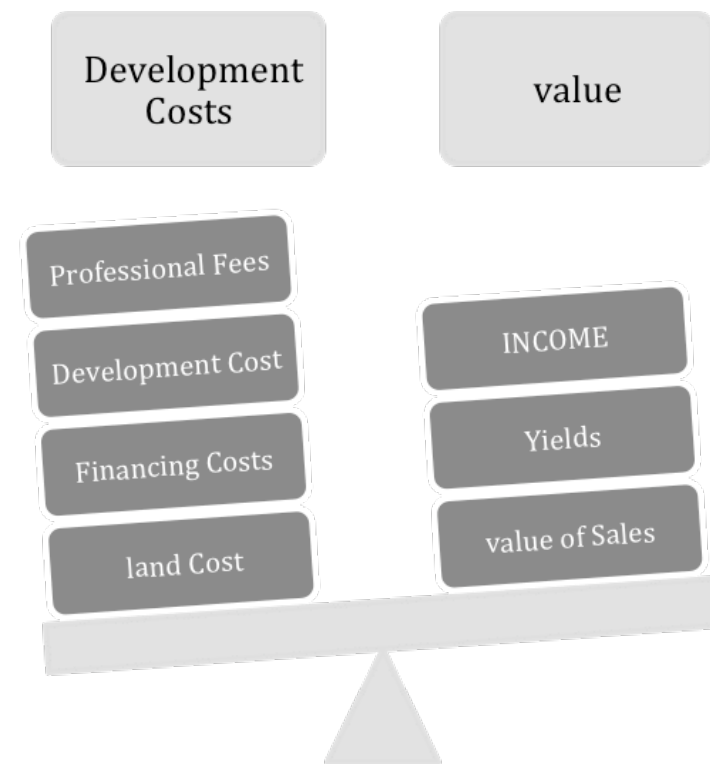
So why is this currently so difficult to achieve?

The “*value vs. cost*” equation is working the wrong way

Rental yields **5 – 7%**

VS

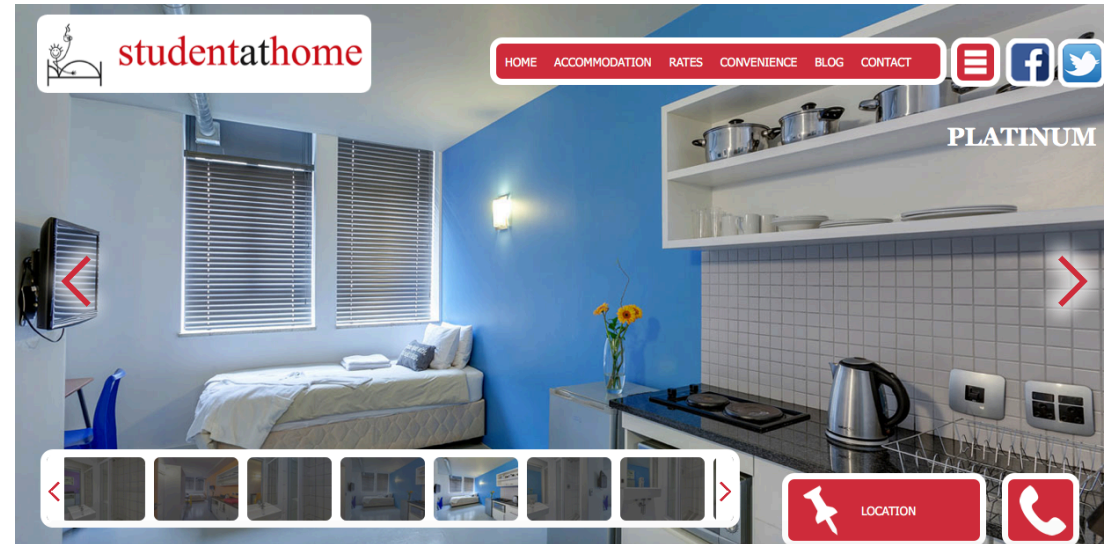
Cost of finance **10 – 15%**



...therefore, need to increase value per m² and reduce cost per m²

How do we **INCREASE** the **VALUE** per m²?

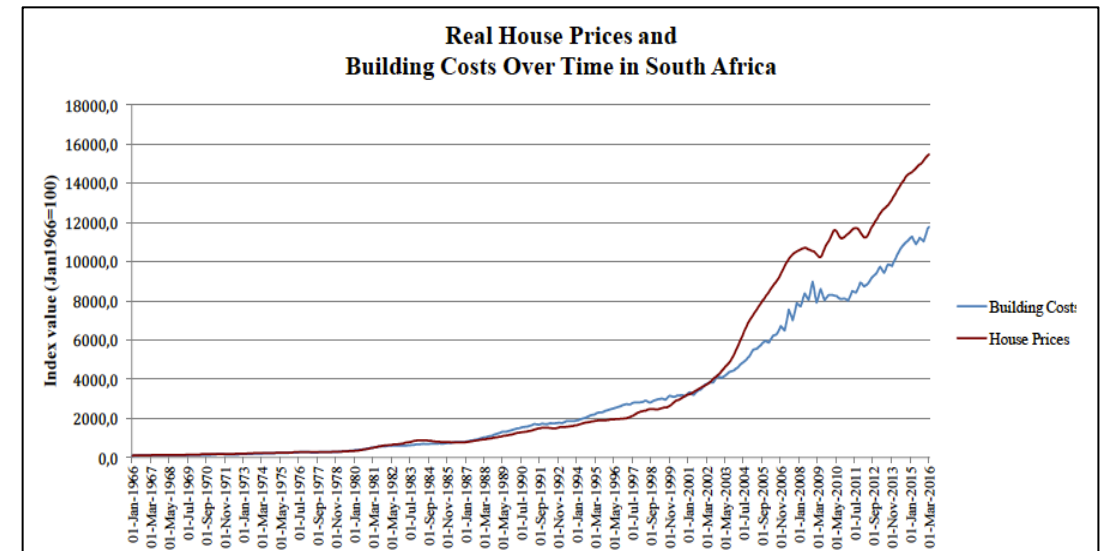
...decrease unit sizes/m² per income.



How do we **DECREASE** the **COST** per m²?

...stop focusing on new build:

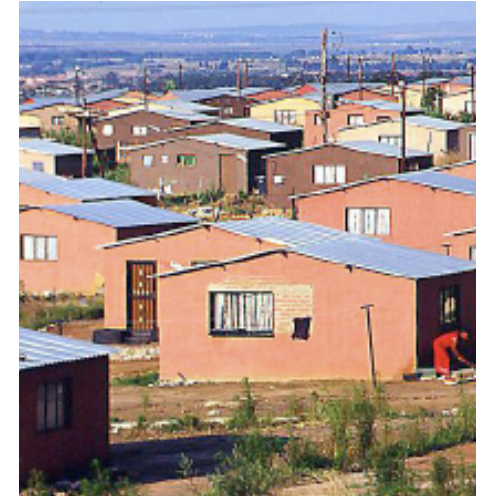
- Most expensive form of development
 - Only represents about **1%** of total stock
 - Have to incur “land production costs”
 - Land acquisition
 - Infrastructure
 - Regulatory approval (Development rights)
 - Finance costs
- ...**30% - 50%** of total costs



(Njokweni et al, 2016)

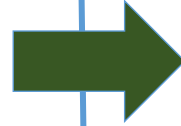
Building **SMALLER** and redeveloping **EXISTING** lower density stock may offer an opportunity to address the affordability and integration issues the city is facing...

...build one extra floor on single-storey houses

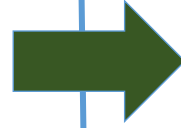


(Sapropertynews, CTCHC, Westerncapenews)

40% Return > Cost of Finance



25% Return > Cost of Finance



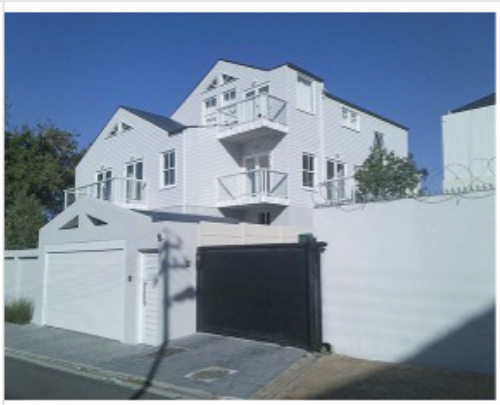
13 – 15% Return > Cost of Finance



Before construction



During construction

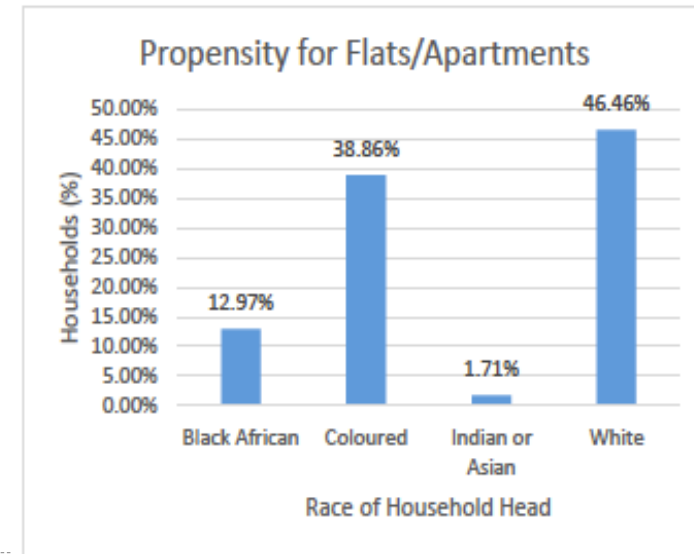


Completed project
(Timbercraft, 2017)

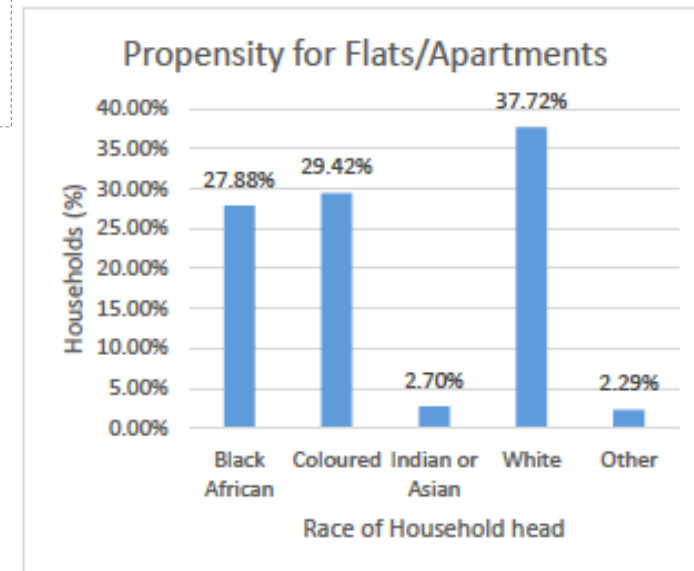
Advantages:

- **Can be a significant stimulant to the economy**
- Viable and therefore can be taken to scale:
 - Lower development costs:
 - No new land costs
 - Use existing infrastructure capacity
 - Use existing foundations etc.
 - Development rights usually in place
 - Smaller units = increased value per m²
- In the urban footprint:
 - Closer to existing work and other opportunities
 - Increased densities
 - Use of existing infrastructure
- Opportunity to retrofit dwellings with “Green Technology”:
 - Solar, grey-water etc.
- No subsidies
- Likely to result in better integration

Increased capital and operational efficiencies



2001

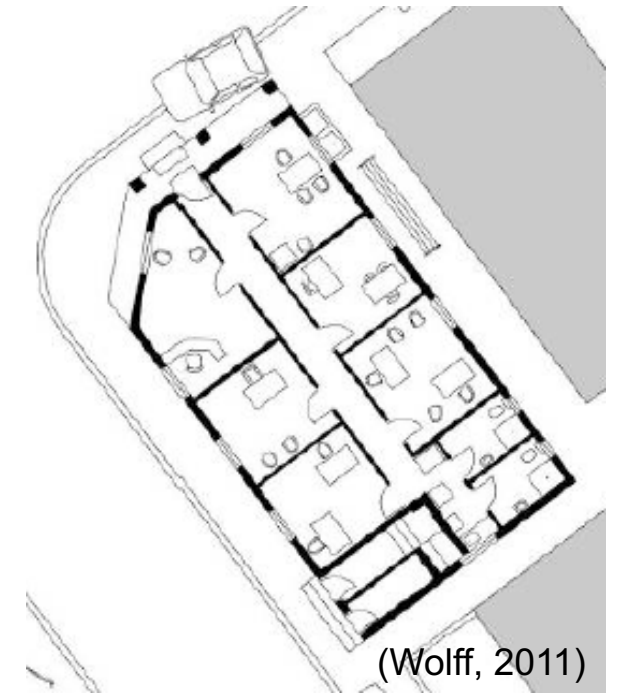


2011

Lendor et al, 2015)

Interventions:

- Ensuring infrastructure capacity
- Facilitating development rights
 - Heritage
 - Building plans
- Innovation in building materials
 - Light-weight
 - Cost-effective
- Innovations in technology
 - Solar, grey-water etc.
- Innovations in design
- Innovations in “micro-developer/
home-owner” finance



APPLICATION FOR A PERMIT

Section 34 / Section 27

TO DESTROY, DAMAGE, DEFACE, EXCAVATE, ALTER OR REMOVE FROM ITS ORIGINAL POSITION, SUBDIVIDE OR CHANGE THE PLANNING STATUS OF A PROVINCIAL HERITAGE SITE, OR A PROVISIONALLY PROTECTED PLACE,
OR
ALTER OR DEMOLISH ANY STRUCTURE OR PART OF A STRUCTURE OLDER THAN 60 YEARS

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