

## **SOCIAL HOUSING FOUNDATION, South Africa**

**December, 9 2008**

### **AN INVESTIGATION INTO THE PROLIFERATION OF INFORMAL RENTAL HOUSING SUPPLY, AND THE DEVELOPMENT OF RECOMMENDATIONS CONCERNING APPROPRIATE RESPONSES/INTERVENTIONS**

#### **1 Background and context**

**1.1** A study commissioned by the Social Housing Foundation (SHF) into the supply, demand and trends of the residential rental market (published in August, 2008) strongly indicated, inter-alia, an overwhelming demand for well-located, low cost rental housing and an increase in informal rental supply.

**1.2** More specifically, that study, and a subsequent smaller investigation, investigated the state of play with informal rental housing – that is, rental housing located in backyards and in informal settlements.

#### **Some of the key findings include the following:**

- 17 percent of households renting shacks did not exist 5 years ago (as opposed to 11 percent of all renter households)
- The General Household Survey (GHS) shows a large increase in the number of rented shacks between 2002 and 2006 (258000 to 520000 in that period);
- While 60% of all shacks are located in informal settlements, less than 25% of *rented* shacks are. The vast majority of rented shacks are located in backyards;
- As many as 21% of all rented dwellings are shacks. In the Gauteng this figure is 28%;
- 80% of shack dwellers have lived there for more than 5 years;
- The average rental in a backyard shack is R147 per month while the average rental for a shack in an informal settlement is R103;
- For shack “landlord” households earning less than R1500, income gained from renting out shacks is equal to an average of 29% of all household income.

**1.3** These and other figures raise a range of critical housing policy issues for government. Several provincial governments, Gauteng and Western Cape among them, have recently conducted their own studies into backyard and/or informal rental.

**1.4** One of the central questions for government on this issue is how to encourage and support the expansion of small scale landlord-provided rental accommodation. Such landlords (and potential landlords) offer very significant supply potential. At the same time it is also important for government to ensure that a basic level of housing standards are maintained, that services are provided and exploitation is avoided.

**1.5** Another important consideration is how micro-financing programmes can be effectively packaged and administered, and utilised for backyard dwelling upgrade.

**1.6** “Formalisation” of informal rental stock is sometimes mooted as a policy solution. More information is required, however on the likely impact on rent levels of the formalization process (i.e. would rent levels be likely to remain affordable for tenants on low incomes?)

**1.7** SHF is seeking a consultant to undertake a two-phased into the issue of informal rental.

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† It is acknowledged that many informal structures are not used for the purposes of housing but for commercial, industrial or cultural purposes. This study does not have the capacity to address the use of non-housing structures in depth.

**NB.** This information was included in a “call for tender, issued by the Social Housing Foundation, December 9, 2008